



SAARANSH

RKG JOURNAL OF MANAGEMENT

Vol. 1

No. 2

JANUARY 2010

Contents

THE GROWING ROLE OF HUMAN RESOURCE IN MANAGEMENT

B. N. Asthana

THE RELATION BETWEEN THE NIPONIC RESEARCH AND DEVELOPMENT MANAGEMENT SYSTEM AND PRODUCTIVITY IN COMPANIES IN THE IBERIAN PENINSULA

Felipa Lopes dos Reis

EFFECTIVE ADVERTISING MEDIA - A CASE STUDY OF CELL PHONE USERS

D.Anand & Mohammad Nasrollahniya

MANAGEMENT OF INVENTORY IN INDIAN COMMERCIAL VEHICLES INDUSTRY

Sunil Kumar, Vijita Aggarwal & Sambhav Garg

IMPACT OF BUDGET ON STOCK PRICES: A STUDY OF NSE

Yogeshwari Phatak, Shefali Tiwari & Amitabh Joshi

THE ROLE OF PSYCHOLOGICAL CONTRACT IN RETENTION MANAGEMENT

Kamran Sultan & Babita Agarwal

RISING DEBT VERSUS RISING INCOME: AN EMPIRICAL STUDY OF INDIAN COMPANIES

Shailesh Rastogi & Vinay K. Srivastava

FACTORS INFLUENCING MOTIVATION TO CHOOSE INSURANCE AGENCY AS CAREER

G.Balachandar & N.Panchanatham

RETAIL REVOLUTION – BOON OR BANE

Sudarsana Reddy. G & Ranganathan K

DETERMINANTS OF FAMILY BUYING PATTERN A STUDY WITH REFERENCE TO BUYERS IN THIRUVANANTHAPURAM DISTRICT

Hari Sundar. G. Ram & D. Sudharani Ravindran

RETENTION OF TALENTS IN THE INDIAN HOSPITALITY SECTOR:

A STUDY WITH REFERENCE TO 5 STAR DELUXE HOTELS IN BANGALORE

Indranil Mutsuddi

DOES BRAND IMAGE INFLUENCE RETAIL STORE IMAGE?

Priyanka Mokshmar

EXTERNAL AUDITOR INDEPENDENCE– REAL OR IMAGINED?

Joan A. Cezair

LOGISTICS MANAGEMENT IN RETAILING: CONCERNS AND SOLUTIONS

H. K. Singh & Amit Manglani

ESCALATING INDIAN ECONOMY: ENDURING CONTRIBUTION OF WOMEN ENTREPRENEURS

Meera Singh

RETAINING COMPETENT HUMAN TALENT THROUGH IJP WAY –

A CASE OF CITIFINANCIAL INDIA

V Vijay Durga Prasad

TOURISM IN KERALA: A STUDY OF THE IMPERATIVES AND IMPEDIMENTS WITH FOCUS ON ECO-TOURISM

Manoj P K

A STUDY ON STRAIGHT THROUGH PROCESSING IN NON – LIFE INSURANCE

OPERATIONS WITH SPECIAL FOCUS ON CLAIMS PROCESSING & SETTLEMENT

C.M. Maran

INITIAL PUBLIC OFFERINGS (IPOs) IN THE PRIMARY CAPITAL MARKET

Puja Garg

BUSINESS ETHICS – A COMPETITIVE ADVANTAGE

V. Mallikarjuna, D. Pradeep Kumar & G. Krishna Mohan

Book Review



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 ।

श्रीमद् भगवद् गीता अध्याय 5, श्लोक.15

CHIEF PATRON

Shri Dinesh Kumar Goel
Chairman, RKG Group of Institutions

PATRONS

Dr B. K. Gupta
Advisor, RKG Group of Institutions

Dr M. P. Jakhanwal
Director, RKGIT, Ghaziabad

CHIEF EDITOR

Dr Arvind Singh
Principal, RKGIT (MBA)
Ghaziabad

EDITOR

Dr Vinay K Srivastava
Asst Professor, RKGIT (MBA)
Ghaziabad

EDITORIAL BOARD

Dr N. K. Rai
Director-RKGCMT
Garh Mukteswar, Ghaziabad

Dr V. K. Jain
Director-RKGITW
Ghaziabad

Dr. S.C. Gupta
Director-RKGEC
Pilakhuwa

Dr. Vibhuti
Dean, RKGIT (MBA)
Ghaziabad

ADVISORY BOARD

Prof B. N. Asthana

Ex Vice Chancellor
Kanpur University,
Kanpur

Prof Jagdish Prakash

Ex Vice Chancellor,
University of Allahabad,
Allahabad

Prof. Nageshwar Rao

Vice Chancellor
UPRT Open University,
Allahabad

Prof Bhagwati Prasad

Ex Director, KIMS,
Karnataka University,
Karnataka

Prof K. M. Upadhyay

Ex Head, Commerce & Management
Jamia Millia Islamia University,
New Delhi

Dr S. P. Srivastava

Professor, Ex. Head & Dean
Faculty of Commerce,
BHU, Varanasi

Prof T.P.N. Srivastava

Head & Dean,
Department of Commerce,
DDU Gorakhpur University

Prof M. B. Shukla

Director & Dean
Institute of Management Studies
M. G. Kashi Vidyapeeth, Varanasi

Prof A. K. Sarkar

Head & Dean,
Department of Business Admin.,
MJPR University, Bareilly

Prof B.L. Mathur

Professor in EAFM
University of Rajasthan,
Jaipur

Prof. Jawahar Lal

Deptt. of Commerce
Delhi School of Economics
Delhi University, Delhi

Prof. Ashok Kumar

Professor of OB & HRM
Indian Institute of Management
Indore

Prof. D.N. Kakkar

Head,
Deptt. of Management
IET Campus, Lucknow

Prof. N. Panchanatham

Professor and Head
Department of Business Administration
Annamalai University, Tamil Nadu

Dr S. P. Singh

Head & Dean, FMS
Gurukul Kangri Vishwavidyalaya
Haridwar

Faculty Support

Ms. Puja Garg, Ashish Singh & Meenu

Administrative Support

Pankaj Kumar & Baldev Singh

Aims and Scope

Saaransh is a bi-annual referred Journal published by RKGIT (MBA), 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.

The information, contents, opinion and data appearing in the articles and advertisement in the Journal are the sole responsibility of the concerned author(s) or the advertisers. The Editor, Editorial Board and publisher disclaim responsibility and liability for any statement or opinion made by the contributors.

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

Guidelines For Contributors

The author should follow the following instructions while preparing the manuscript.

- The paper should be about 8000-10000 words in length. The author(s) should submit two copies of the manuscript, typed in two space on A4 size bond paper allowing 1-inch margin on all sides, should be submitted with a soft copy in CD in PC compatible MS-word document format. CD is not required if the manuscript is e-mailed at saaransh@rkgit.edu.in however, in this case two hard copies of manuscripts have to be sent separately.
- The author should provide confirmation that - The article is the original work of the author(s). It has not been earlier published and has not been sent for publication elsewhere.
- The paper should begin with an Abstract of not more than 100-150 words, which encapsulate the principle topics covered by the paper. Abstracts should be informative, giving a clear indication of the nature and range of results contained in the paper. Do not include any reference in your abstract.
- Figures, charts, tables and diagrams - All figures, diagrams, charts and tables should be on separate papers and numbered in a single sequence in the order in which they are referred to in the paper. Please mention their number at appropriate places within the text.
- References must be kept to a bare minimum. The references must be quoted in the text using American psychological style of referencing. You must make sure that all references which appear in the text are given in full. Where there is more than one reference to the same author for the same year, they should be listed as 2009a, 2009b etc. The references section should be a continuous alphabetical list. Do not divide the list into different sections.

Books The order of information should be as in the following example:

Srivastava, Vinay K. (2007), Privatization of Public Enterprises in India, Allahabad, Kitab Mahal.

Journal papers and book chapters The order for reference to articles/chapters of books should be as in these examples:

Srivastava, Vinay K. (2004), 'Corporate Governance Practices', Indian Journal of Accounting, Ujjain, IAA, Vol. 34, No. 2, Pp 74-77.

Rao, Nageshwar. (1992), Privatise public Enterprises in India, in Prakash. J. (ed), Privatization of Public Enterprises in India, Mumbai, Himalya Publishing house, p 212.

- All manuscripts received for publication in SAARANSH are acknowledged by The Editor. This helps authors know the status of their paper from time to time.
- The Editors reserve the right to accept or refuse the paper for publication, and they are under no obligation to assign reasons for their decision. Authors will receive a complimentary copy of the journal in which their articles are published.
- The works published in the Journal should not be reproduced or reprinted in any form, without the prior permission from the editor.

Contents

Pages

THE GROWING ROLE OF HUMAN RESOURCE IN MANAGEMENT 01

B. N. Asthana

THE RELATION BETWEEN THE NIPONIC RESEARCH AND DEVELOPMENT MANAGEMENT 03

SYSTEM AND PRODUCTIVITY IN COMPANIES IN THE IBERIAN PENINSULA

Felipa Lopes dos Reis

EFFECTIVE ADVERTISING MEDIA - A CASE STUDY OF CELL PHONE USERS 07

D.Anand & Mohammad Nasrollahniya

MANAGEMENT OF INVENTORY IN INDIAN COMMERCIAL VEHICLES INDUSTRY 19

Sunil Kumar, Vijita Aggarwal & Sambhav Garg

IMPACT OF BUDGET ON STOCK PRICES: A STUDY OF NSE. 23

Yogeshwari Phatak, Shefali Tiwari & Amitabh Joshi

THE ROLE OF PSYCHOLOGICAL CONTRACT IN RETENTION MANAGEMENT 28

Kamran Sultan & Babita Agarwal

RISING DEBT VERSUS RISING INCOME: AN EMPIRICAL STUDY OF INDIAN COMPANIES 33

Shailesh Rastogi & Vinay K. Srivastava

FACTORS INFLUENCING MOTIVATION TO CHOOSE INSURANCE AGENCY AS CAREER 38

G.Balachandar & N.Panchanatham

RETAIL REVOLUTION – BOON OR BANE 41

Sudarsana Reddy. G & Ranganathan K

DETERMINANTS OF FAMILY BUYING PATTERN A STUDY WITH REFERENCE TO BUYERS 50

IN THIRUVANANTHAPURAM DISTRICT

Hari Sundar. G. Ram & D. Sudharani Ravindran

RETENTION OF TALENTS IN THE INDIAN HOSPITALITY SECTOR: 56

A STUDY WITH REFERENCE TO 5 STAR DELUXE HOTELS IN BANGALORE

Indranil Mutsuddi



| | |
|--|----|
| DOES BRAND IMAGE INFLUENCE RETAIL STORE IMAGE? | 61 |
| <i>Priyanka Mokshmar</i> | |
| EXTERNAL AUDITOR INDEPENDENCE– REAL OR IMAGINED? | 66 |
| <i>Joan A. Cezair</i> | |
| LOGISTICS MANAGEMENT IN RETAILING: CONCERNS AND SOLUTIONS | 70 |
| <i>H. K. Singh & Amit Manglani</i> | |
| ESCALATING INDIAN ECONOMY: ENDURING CONTRIBUTION OF | 72 |
| WOMEN ENTREPRENEURS | |
| <i>Meera Singh</i> | |
| RETAINING COMPETENT HUMAN TALENT THROUGH IJP WAY – | 76 |
| A CASE OF CITIFINANCIAL INDIA | |
| <i>V Vijay Durga Prasad</i> | |
| TOURISM IN KERALA: A STUDY OF THE IMPERATIVES AND IMPEDIMENTS WITH | 78 |
| FOCUS ON ECO-TOURISM | |
| <i>Manoj P K</i> | |
| A STUDY ON STRAIGHT THROUGH PROCESSING IN NON – LIFE INSURANCE | 83 |
| OPERATIONS WITH SPECIAL FOCUS ON CLAIMS PROCESSING & SETTLEMENT | |
| <i>C.M. Maran</i> | |
| INITIAL PUBLIC OFFERINGS (IPOs) IN THE PRIMARY CAPITAL MARKET | 88 |
| <i>Puja Garg</i> | |
| BUSINESS ETHICS – A COMPETITIVE ADVANTAGE | 93 |
| <i>V. Mallikarjuna, D. Pradeep Kumar & G. Krishna Mohan</i> | |
| Book Review. | 98 |

From the Desk of the Chief Editor....

The recent surge in the capital market has thrown India Inc again into a rush to make the most of the opportunities brought forward by the positive sentiments and the Government's rehabilitation packages. Just six or seven months ago, even big companies were struggling to stay afloat amidst the ravages of a global financial crisis. Barring a deep plunge into the stock market due to the exodus of foreign money, the crisis was mild in India. However it forced us to take a fresh look at the prevailing economic paradigms. The rules of the game changed. The focus was shifted from overseas investments to investments in the more traditional and rural backed sectors, which form the backbone of the Indian economy. The corporate scenario witnessed a radical change in the way business was done. New business models were experimented with, heavy expenditure incurred on research and development, which finally led to positive growth. Markets are again on a killing spree with the market capitalization of a few big companies exceeding even the most cautious investors' expectations. Every day, we get news of Indian companies acquiring foreign companies to increase their foreign holdings and to add to their present capacities and capabilities.

Such dynamic economic conditions demand a swift, in-depth understanding and analysis. It is the responsibility of academicians to understand the changing paradigms and guide their students so that the right blend between the industry and technical institutions can be created. With this objective, I bring forth this issue of "SAARANSH - RKG JOURNAL OF MANAGEMENT" which focuses on all areas of management. It includes research papers which provide exhaustive coverage of the changing economic and socio cultural aspects. It includes a research paper titled "The growing role of human resource management" by Prof. B. N. Asthana. It elucidates how managing human resource has become challenging as well as of the utmost importance for any successful enterprise. Good leadership is indispensable to the growth and success of firms, a research paper titled "Effective advertising media - a case study of cell phone users" compares and contrasts television and internet as advertising media. It concludes that both are complementary and play significant roles in the development and growth of business. One paper focuses on how the announcement of the union budget affects the stock market.

I would like to extend my gratitude towards all the eminent scholars, researchers and academicians who have contributed in making our first issue such a success. We have been getting rave reviews. I would also take this opportunity to extend my sincere thanks towards all who have contributed quality and informative research papers. My heartfelt gratitude to our reviewers who contributed immensely in making "SAARANSH" a comprehensive and resourceful journal, a journal gaining popularity amongst the top brass academicians and researchers.

Prof. Arvind Singh

THE GROWING ROLE OF HUMAN RESOURCE IN MANAGEMENT

Prof. B. N. Asthana*

ABSTRACT

The study deals with the human factor which is vital in the functioning of organization. It investigates the role of management which determines the policies to be followed and thus constitutes the leadership of organization. It examines the relative importance of modern managers to deal with modern business practices.

Key Words: Human Resource, Organizational Behaviour, Socio-Economic System

INTRODUCTION

The Management of Human Resource (HR) is the most crucial function in the entire process of production and distribution. The HR Management is concerned with the scientific development of a body of knowledge devoted to the study of individuals and their role in the successful functioning of an organization. As it is the HR factor related to human beings. Therefore, in the management of HR the psychological input is tremendous. The subject of HR for this reason falls within the sphere of organizational behaviour (OB). The scope of OB is very wide. Over the years it has come to be related to almost all branches of learning. Hence the modern day concept of OB is inter disciplinary. It cuts across the boundaries of various branches of knowledge. In recent times the effect of these interdisciplinary forces upon the working of the human resources has become somewhat complex because of the inherent difficulties of the times. Our Socio-economic system has been rendered quite complicated. At one point of time a number of factors act and react upon the psyche of the people engaged in the production of goods and services. For a successful functioning of the entire network of production, these various disciplines tend to exercise a profound influence upon the process of production through the individuals engaged in the task of production.

While dealing with the HR the management has to pay attention to a myriad of factors that effect the functioning of this factor. These factors relate besides Psychology to Sociology, Anthropology, Ecology, Medicine, Political Science, Economics, Geography, Philosophy and a large number of others that keep on cropping up as studies in liberal arts and sciences progress. In the older days the HR and the effect of these various branches of knowledge upon it was less pronounced.

However, as the societies progressed, the production process become more and more complicated and involved in response to an equally involved social network. From household economy the size of the production unit grew to community production and very soon to the production which had national and global ramifications. This phenomenal growth of the productions pattern soon gave

rise to a scientific system of management in which the collection of resources men, material and financial the scientific deployment of these resources, the methods of maximization of production, minimization of waste and distribution all come to play a vital role. To spell out these as need was felt to increase the size of production. The various functions of management, like finance, personnel, production and marketing came to claim specialist's attention. In course of times these various functions have evolved themselves into specialized areas having their own fields of scientific study.

The Success of a production enterprise depends upon the functioning of three distinct elements viz: input, transformation and output. These three factors should function in coordination with each other. The efficiency of an organization to deliver is determined by the competence and level of perfection of performance of these elements. The human factor is vital in the functioning of these three factors. It is the contribution of the human element which stands out prominently in their working. It cannot be overlooked not with standing the tremendous scientific progress which we have seen in recent years. For example, we are aware of the importance of the input of raw material in the finished product; but we also know that the quality of the raw material is as good as the quality of the human material producing it. The raw material is transformed into finished product by the personnel involved in the production or output. It is human ingenuity, his creativity, his innovation that the raw material is turned out into a finished product. It is the human being who makes the end product relevant to the community or the society. However, it must be noted and never lost sight of the fact that in this entire process of transformation the philosophical orientation, the cultural ethos and the social milieu tend to play an important role. As a matter of fact, these three factors give rise to the environment to enable the organization as a whole to function with efficiency.

Here the role of leadership is of supreme importance. It requires the attributes of the highest order in a leader to be able to deal effectively with the human material under its command so that the organizational goals are achieved with

*Dr. B.N. Asthana was Dean Faculty, Professor and Head of the Department of Commerce & Business Administration, and Director, Agro-Economic Research Centre (Indian Government), University of Allahabad and Vice Chancellor, Kanpur University, Kanpur, INDIA.



economy and efficiency. Really speaking, the leadership factor is also human material. However, in the context of an organization this human material is also apart. This leadership stuff carved out of general human material is built of elements that are more tough yet resilient to withstand the shocks which come in the wake of a social and cultural environment in which while being tough it has to assume the role of an empathizer, for it has to deal with an element which may at times be quite fragile. It can be easily exploited by others in the community for their own unwholesome purposes to damage the production process. Strikes, lock-outs, chakka-Jams, damage to public property and the likes of these are the outcome of this exploitation which the state tries to deal with such situations which are by and large of a law and order nature, dealing with them on a psychological plane can often give results of a more permanent nature. However, the need is to apply the psychological therapy with care and reference.

The social and political environment in India is vastly different from such an environment in other developing countries. We are not only the largest democracy we have acquired a level of maturity not come across anywhere in the world. Our political philosophy makes the adoption of democratic norms in bureaucratic and corporate governance as quite normal. We have adopted deliberately and consciously an economic policy which is fine blends of public and private sector. We are a welfare state having adopted the socialistic pattern of society as our goal this has given as considerable flexibility in shaping our economic (and social) policies to suit the requirements of a dynamic state. We have not bound ourselves to particular policies for all times to come like some of our highly developed counter parts. This is so with the result that we have large business houses working on conservative lines sides by side with those working under highly qualified professional managers trained in India and abroad. These business houses have their own business philosophy, concept of social responsibility and approach to workers' problems, but there is no conflict between the business policies adopted by the family type and the professionally run business houses. They work in harmony with each other; for that is what the tenets of the philosophy of the cast has imbibed in them. There is a difference of degrees only so far as the emphases on various aspects of personnel policies and concerned. The human factor in management does not stand on a different footing in India as some behavioural scientists believe. However, it is nobody's case that HR is not relevant to industrial growth and productivity. It is very much a chief factor. But the state of HR available to an organization determines to a large extent its ultimate health and vitality. When we speak of HR with reference to a business organization we have the higher managerial hierarchy in mind. It is that sector of management which determines the policies to be followed and thus constitutes the leadership of the organization. Some OB thinkers believe that business leader in India are still "in search of a style". It is

search, if any, has not yielded a style of leadership that may bring about a healthy organization capable of delivering to the nation despite a strong grounding rooted in the art and science of business leadership available in India. However this is to totally misunderstand the situation. The critics of India managers probably see management as a static function. They do not see the essential dynamics of management function. They do not realize that management is a continuous function in a highly competitive economy the more so in a globalised economy. Therefore the management continue to evolve themselves in response to their evolving characteristics, if this process of evolution stops, the organizations stop to function, though they may continue to exist. This is akin to their having slipped into coma. As we see around in the world of business, we find that business managers in India are as vibrant as their counterparts in other parts of the world. There is no dearth of them and the names are well-known. In India though there is a small section of business leadership that have had a corporate leadership formal training, their number is increasing fast. Now, even in traditionally run business houses in India there is a growing preference for professionally trained managers. There is realisation of the fact that an organization can survive with dignity and command prestige only if it pursues progressive and sophisticated personnel policies, in addition to giving evidence of discharging its social responsibility.

HR is becoming more and more important because of the fact that the environment in which business functions has become increasingly involved in economic social and political sense. The functional areas of management have become more complex with the emergence of modern business practices dictated by the appearance of the WTO on the business scene. The functional areas have acquired new dimensions calling for the intervention of specialists at every stage. The situation has brought about far-reaching changes in the value pattern of individuals. Their priorities have undergone a change. The premium that was put on top hierarchical positions has gone down. Very often executives are seen content with non-decision making positions to enjoy more peace of mind and security so as to have greater opportunity for self development and self-expression. The pattern of family life has undergone change with wide ramifications. With the break down of the joint family system and the desire for double income and single child norm, spouses have also come forward in the employment market demand for women empowerment has changed the pattern of employment. These changes have given rise to demands of various types formerly unheard of, like the maternity leave both for husbands and wives, child care leave for the lady of the house etc. Modern managers have to learn to deal with such situations in the interest, of industrial and domestic peace.

THE RELATION BETWEEN THE NIPONIC RESEARCH AND DEVELOPMENT MANAGEMENT SYSTEM AND PRODUCTIVITY IN COMPANIES IN THE IBERIAN PENINSULA

Felipa Lopes dos Reis*

ABSTRACT

This article concerns one of the suggestions for future research that I put forward in doctoring thesis, and has as its objective to research the existing relation between the niponic Research and Development management system and productivity in companies with activity in the Iberian Peninsula. The methodology was as follows. For the gathering of information about the patterns of Management Innovation in companies, we elaborated a questionnaire. The financial information used in the creation of a data panel on a 5-year basis for each company was gathered through the Dun & Bradstreet / Exame database. Through statistical tests we verifies that competitiveness in companies with niponic capital is not induced by economic competitiveness, and that they use competitive strategies based on the qualification of human resources and technological progress.

Keywords: Economic Productivity, "Workonomic Index", Technological Progress, Japanese Management.

INTRODUCTION

The history of Japan's modern science and technology dates back to the last part of the 19th Century, when recently-opened country began actively studying the knowledge that Europe had to offer. The Land of the Rising Sun was poor in terms of material resources and the only way through which it could progress in the social and economic fields was through technological advances obtained by its people, its sole valuable resource. The great strategic flexibility of niponic industries originated their rapid ascension. Japanese industries conquered positions in international markets by introducing new products of higher quality at lower prices. Sony managed to reinforce its competitive position in all segments of the audiovisual industry, it being one of the most successful companies in terms of Japanese corporate strategy. It used to be a domestic business specialized in audiovisual equipment until it bought Colombia Pictures, this complementing its production of audiovisual equipment with thousands of movies. When the new CD technology replaced video cassettes, Sony was already in a position to determine the CD-Video standard.

The technological capacity of niponic companies constitutes one of its chief competitive advantages in the business market. From oil tankers to watches, from industrial robots to microwaves, from semiconductors to compact discs, Japanese competitors have reached a status of leadership by introducing a succession of innovative products of higher quality at lower prices, which promoted the rapid expansion of market s and sales and the results of the company in particular. When the base industry is in recession, niponic companies seek to identify other growing industries that may constitute good business opportunities for the future. The creative use of technologies from new businesses may benefit the company's base activity. Kanebo (textiles) entered the cosmetic field of industry in the 1960's based on their knowledge of chemical components. In the 1990's, the

company's new clothing lines included pieces with exotic fragrances, an intelligent combination of its diversified base technology.

The Japanese have traditionally placed education and science at the top of their national concerns and the Meiji period was devoted mostly to catching up with the West. Resorting to robotics and automation has allowed the niponic industry to overcome its scarce labour problems without destroying the base social harmony and avoiding resorting, as other industrialized countries tend to do, to foreign workforces. Niponic industrial productivity is on the rise and Nissan is an illustrative example, when it doubled its automobile factories in Tokyo by using a highly sophisticated assembly method with recourse to automation, requiring only a fourth of the normal time and a third of the cost to man a full automobile assembly line. The use of robots in niponic companies represents an extension of the machine automation process and the liberation of the work force. And they advantageously replace human labour, where in determined processes the productivity of a robot is at least 50% greater than that of a human worker. The use of robots is ever more advantageous due to their reduced prices and that of computers, when weighed against the constant increase in salary costs. Robots and computerized production systems promote automation. Its introduction must therefore be set in an environment that is prepared to enjoy its benefits without the loss of human control. Many of the great niponic companies have adapted to the appreciation of the Yen, introducing new technologies, adding value to products and constant restrictions to the work force. This approach explains why Japanese facilities placed in markets outside the Land of the Rising Sun can equally apply approaches adapted to the exports in foreign markets.

An example of that is the case of environmental technology. In the 1970's, Japan was a pollutant industrial country, with

*Open University, Portugal



no environmental policy and an economic growth at the expense of its natural environment. Only a decade later it became a potential world leader in the application of environmental technology, due to changes in the nation's social values. Thus, it starts developing exportable products and services.

The driving engines of technology are companies in the private sector, very competitive in global markets. Beyond the Land of the Rising Sun we find the full weight of Asia, the enormous developing markets of Southeast Asia (the so-called Asian Dragons) and China.

Although the United States of America began the development of technology sooner, Japan moved faster in replacing its factory technologies. Sophisticated construction methods, relying heavily on computers and information, produced assets whose quality could hardly be matched in the world market.

The management of research and development (R&D) assumes a strategic role in corporate development due to the constant introduction of new products in the marketplace that constitutes the main source of profit and sales growth in Japanese companies. With the impossibility of importing foreign goods in a large scale in the post-war period, several small domestic companies developed their own in-house technologies and products. The R&D cycle in niponic companies is made up of three phases: copying initiatives of more advanced competitors, through the licensing of their products of mere reproduction of their products, services or processes. The second phase is the improvement of acquired technologies, adopted processes and characteristics of commercialized products and services. And lastly the phase of innovation, where new technologies are conceived and new products, services and processes are created. Throughout this whole process, there's a constant concern in integrating basic investigation with applied research, so as to maintain an elevated rhythm of introduction of innovations into the market and reinforcing the company's competitiveness.

The successive development of new products at a fast rate is one of the secrets for success "made in Japan". The developed technique of quality function deployment is a good example. It works in two stages: the first is to choose a rival brand of reference (benchmarking), in relation to which the company asks its users what features they like and don't like. The second phase is the complete reversal of this process, in which engineers try to associate to the developing item the characteristics that customers liked in the performance of the rival brand.

The Japanese have always had a great concern in getting all the company involved in solving quality issues and for long they have believed that the strategy leading to an improved quality of their products is the most important strategy and the one more promising of success. The production of high quality goods at a reduced cost has become the key to Japanese success relative to international competition and companies have systematically mobilized their human and physical resources to reach that goal. In this way they have introduced, on the one hand, new technological and managerial know-how and on the other hand, proceeded to invest considerably to rationalize their production. Technical boards (engineers, managers) were sent to Europe and the

USA to familiarize themselves with the new techniques. To quote only a few examples of technological transfer, we can call to memory the cases of General Electric to Toshiba, of Austin to Nissan and of Philips to Matsushita. Techniques learnt in other countries, in and by themselves, didn't help to improve productions: it's important how those same techniques were applied. Car manufacturers, for example, developed a unique system to supply parts and materials, globalizing external suppliers and internal departments, with the objective of reducing stocks to a minimum. The system works according to the principle of Just-in-Time (minimization of stocks) which has as its symbol the production method of Toyota. The basic principle of stock minimization isn't just about a new production management technique. Japanese car makers have devised a very complex social and technical system, involving sub-contracted companies for supplying parts and several internal departments, according to management practices that take into account the characteristics of local conditions.

OBJECTIVES

The object of the investigation fell upon the performance of niponic management of research and development in companies operating in Iberian Peninsula, in the five-year span of 2002-2006. The central objective was to assess results of corporate competitiveness in these companies, when using the niponic management of research and development system. The hypothesis that we tested in the study and with which we sought to establish a relation between the characteristics of the niponic research and development management system and the results of corporate competitiveness, are as follows:

- H₁: The niponic research and development management system in relation to the traditional management system leads to an improved corporate competitiveness induced by economic productivity.
- H₂: The niponic research and development management system in relation to the traditional management system leads to an improved corporate competitiveness induced by the salary productivity of the human factor.
- H₃: The niponic research and development management system in relation to the traditional management system leads to an improved corporate competitiveness induced by technological progress.

These hypothesis were tested in the evaluation of casual relations between the dependent variables: Economic Competitiveness (EC), "Workonomic Index" (WI), Technological Progress (TP) and the independent variable Research & Development (R&D).

METHODOLOGY

In this investigation we used a proper model, with indicators of an economic nature adjusted to the observed data, in the companies indicated in the researched panel. The management system and its context were explained, in an analytical model, through a conceptual tool composed by an independent variable (qualitative) – Research & Development, and by three dependent variables (quantitative) – Economic Competitiveness, "Workonomic Index" and Technological Progress.

The first step of the methodology was the selection of the panel of companies from the electronic and automotive sectors that was chosen through the Dun & Bradstreet/Exame database, in the period spanning 2002 through 2006. This panel was so chosen because it's a universe representative of the companies operating in the Iberian Peninsula. The second step was the elaboration of an integrated model of evaluation of corporate competitiveness that served as a support to the dependent variables of the model. In these variables, the methodological approach treats the performance of corporate productivity in three main components: economic, salary and technological.

Economic perspective of productivity.

The indicator of the company's competitiveness rate is the relation between its economic productivity and operational costs per capita, which is expressed thusly:

$$g = \left(\frac{1+r}{1+m} - 1 \right) \times 100$$

being,

$$r = \frac{pn - po}{po} \quad e \quad m = \frac{zn - zo}{zo}$$

g = The company's competitiveness tax

r = Variation of economic productivity

m = Variation of operational costs "per capita".

p = Economic productivity of work

z = Operational costs "per capita"

VAB – Added brute value (the difference between the business volume and intermediate costs)

CO – Operational costs (being the sum of the costs of materials, supplies and external services, personnel costs and mortgages)

T – Human labour

n – Year of competitiveness evaluation

o – Base year for competitiveness evaluation.

Salary perspective of productivity

The salary perspective is translated in the VAB value by personnel costs (S). In the perspective we used for our investigation, the salary productivity is evaluated based on the "workonomic index" indicator (WI) which evaluates the quota of added value generated in the business that is free to remunerate capital factors intervening in creation the VAB. It's translated by the following indicator:

$$WI = \left(\frac{VAB}{S} - 1 \right) \times 100$$

Technological perspective of productivity

This perspective evaluates the technological progress tax (Pt). This indicator measures the efficiency with which the economy combines the work and capital factors, and assumes the following expression:

$$Pt = gVAB - gT.c - g.K(1-c)$$

being,

gVAB – Variation tax (g) of added value

gT – Variation tax (g) of work posts (T)

gK – Variation tax (g) of immobilized capital evaluated by the economic factor of mortgages.

c – Factor of labour and work, translated by the indicator of salary weight (Salaries/VAB)

Lastly, we established the average for each of the indicators of corporate competitiveness by company, in the period ranging from 2002 to 2006, which are the final results of corporate competitiveness.

The third stage was translated in the construction of the independent variable, through the elaboration of a questionnaire, so as to best asses the level of qualitative performance of the niponic research and development management system, and was submitted to the previously-selected panel of companies, to obtain a database containing information on the practices of the research and development management system that are more relevant to companies operating in the Iberian Peninsula.

To that end, we calculated the performance-importance gap (percentage of the division of the level of performance by the level of importance) of the questions asked in the questionnaire, in a numerical scale of 1 through 6 points. That was measured through an index composed by six items referring to the traditional research and development management system, seeking to know the intensity of its usage, by the company of different instruments of that nature.

From the answers to the questionnaires we obtained two indexes of qualitative performance, one corresponding to the niponic research and development management system and the other to the traditional research and development management system, in companies with and without niponic capital.

After gathering and treating these data we used the statistical technique of the correlation coefficient of R for Pearson, which allows us to determine the associative strength between the two variable, thus allowing the analysis of causality mechanisms between the qualitative performance level of the niponic research and development management system (resulting from the questionnaire) and the quantitative performance of competitiveness in companies (resulting from the integrated model of evaluating corporate competitiveness) in companies with and without niponic capital operating in the Iberian Peninsula.

Chart 1 presents causality relations between the niponic research and development management system and the performance of corporate competitiveness. The association of the niponic research and development management system and economic competitiveness is stronger in companies without Japanese capital, and the association between the same management system and the indicators of "workonomic index" and technological progress is stronger in companies with niponic capital.

Chart 1—Correlation average between the niponic research and development management system and the indicators of economic competitiveness.

| | Companies with japanese capital | Companies without japanese capital |
|----|------------------------------------|---------------------------------------|
| CE | .46 | .49 |
| WI | .54 | .43 |
| PT | .59 | .56 |

Source: Reis, Felipa (2006).

CONCLUSION

This study ensures substantial evidences according to which the niponic research and development management system exerts an effective influence on corporate competitiveness, in companies with and without niponic capital. Main conclusions are as follows.

Hypothesis 1 was not verified because there is no causality relation between the niponic research and development management system and companies with niponic capital. Meaning, companies with niponic capital do not compete by devising competitive strategies based on cost.

Hypothesis 2 was verified because there is a causality relation between the niponic research and development management system and companies with niponic capital. Meaning, companies with niponic capital compete by devising competitive strategies based on the qualification of its human resources (workonomic index).

Hypothesis 3 was verified because there is a causality relation between the niponic research and development management system and companies with niponic capital. Meaning, companies with Japanese capital compete by devising competitive strategies based on technologies (technological progress).

The three phases of the R&D cycle in Japanese companies doesn't necessarily follow the copy-improvement-innovation sequence. In most cases, the technological innovation requires a paralleled licensing of its external complementary know-how. Equally, after the introduction of an innovative product, subsequent upgraded models are released, more functional, of higher quality and at lower prices. The R&D cycle in Japan is extremely dynamic, supporting the constant introduction of innovations into the marketplace. The satisfaction of consumer needs is undertaken as a challenge to the company's creativity, an imperative design to reach new technological solutions. Commercial success is above all the consequence of introducing the right product at the right price before competitors do. Typically, the Japanese company will develop new ideas or perfect concepts in the expectation that they are pleasing to the targeted segment of the population. Machines to serve meals at required times to house pets when the owners are on vacation. Shirts made of fabrics that never crumple or wrinkle. Hair-style simulation monitors in ladies hair salons, eggs enhanced with vitamins, anti-bacterial sanitation ceramics for hospitals and public spaces or electric guitars with inbuilt player constitute some examples of products or services released in the niponic market that have later proven to be successful. The management of R&D is crucial for the success of niponic companies in global competition. The constant introduction of new products and services expands its commercial presence and the restructuring of industries. From robots to videogames, from semiconductors to cameras, from cars

to fax machines, Japanese manufacturers have ascended to positions where they stand up from the crowd by continuously innovating and upgrading not only their products, but they productive processes as well. The integration of R&D management with production management constitutes in Japan the vehicle of simultaneous consolidation of technological leadership and cost.

REFERENCES

- Benson, John; Yusa, Masal (2007). The prospect for gender diversity in Japanese employment. *International Journal of Human Resource Management*, 18, pp.890-907.
- Brillman, Jean (2000). *As melhores Práticas de Gestão – No Centro do Desempenho*. Lisboa, Edições Silabo.
- Carvalho, J. Eduardo (2004). *Produtividade: o que é*. Lisboa, Quimera Editora.
- Caetano, António, Vala (2006). *Gestão de Recursos Humanos Contexto*. Editora RH.
- Ceitel, Mário (2006). *Gestão de Recursos Humanos Para o Século XXI*. Edições Silabo.
- Dolan, Simon; Cabrera Ramon; Jackson, Susan; Schuler, Randall (2007). *La Gestión De Los Recursos Humanos*. McGraw-Hill.
- Gordon, Gary (2006). *A Batalha do Japão*. Edições Vida e Aventura.
- Hearn, Lafcadio (2006). *O Japão-uma antologia de escritos sobre os agentes*. Livros Cotovia.
- Maricourt, Renaud (1995). *Les Samourais du Management*. Lisboa: Edições Silabo.
- Marishima, Michio (1992). *Porque Triunfou o Japão*. Lisboa: Gradiva.
- Miah, Khasro; Bird, Allan (2007). The impact of culture on HRM styles and firm performance: evidence from Japanese parent, Japanese subsidiaries/joint ventures and south Asian local companies. *International Journal of Human Resource Management*, 18, pp.908-923.
- Moura, Estêvão de (2002). *Gestão de Recursos Humanos – Influências e Determinantes do Desempenho*. Lisboa: Edições Silabo.
- Ozaki, Robert (1991). *O Sistema empresarial Japonês*. Publicações Europa-América.
- Paul, Anantharaman (2003). Impact of people management practices on organizational performance. Analysis of a causal model. *International Journal of Human Resources Management*, 14(7), pp.1246-1266.
- Reis, Felipa (2008). Las claves del éxito de la competitividad del sistema empresarial japonés. *Revista Empresa Y Humanismo*, Universidad de Navarra, pp.157-186.
- Takeda, Margaret; Helms, Marilyn (2007). The influence of human resources management identity on strategic intent in the multinational enterprise. *International Journal of Human Resources Development and Management*, 7, no.2, pp.139-160.
- Westbrook, Oscar Ratti (1999). *Segredos dos Samurais: As artes marciais do Japão feudal*. Editora: Madras.
- Youshikawa, Eiji, (2006). *Musash*. Editora Estação Liberdade.

EFFECTIVE ADVERTISING MEDIA -A CASE STUDY OF CELL PHONE USERS

D.Anand*

Mohammad Nasrollahniya**

ABSTRACT

Today, advertisement provides a golden opportunity for advertisers to introduce their products and services to domestic and international markets by placing a single advertisement in television and Internet. Television and Internet enable advertisers to place their advertisements in the most appropriate locations to which the potential customers would refer. This paper focuses on network television and Internet in terms of advertising, reviewing historical insights on how Television and Internet have developed and how they are different as well as similar as advertising media. And it also identifies that not only they are complementary to each other but also they have significant considerable roles in development and growth of business. This study shows that television, Internet, and hoardings can be the most effective media in influencing and helping to provide information to the customers of Cell Phone.

Keywords: Online advertising, Television advertising, Cell phone users.

INTRODUCTION

Advertising is a paid form of a non-personal message communicated through the various media by industry, business firms, nonprofit organizations, or individuals. Advertising is persuasive and informational and is designed to influence the purchasing behavior and thought patterns of the audience. Advertising is a marketing tool and may be used in combination with other marketing tools, such as sales promotions, personal selling tactics, or publicity. Advertising is often thought of as the paid, non-personal promotion of a cause, idea, product, or service by an identified sponsor attempting to inform or persuade a particular target audience. Advertising has taken many different forms since the beginning of time. From early beginning, advertising has evolved to take a variety of forms and to permeate nearly every aspect of modern society. The various delivery mechanisms for advertising include banners at sporting events, billboards, Internet Web sites, logos on clothing, magazines, newspapers, radio spots, and television commercials. While advertising may seem like the perfect way to get a message out, it does have several limitations, the most commonly noted ones being its inability to (1) focus on an individual consumer's specific needs, (2) provide in-depth information about a product, and (3) be cost-effective for small companies. Until the twentieth century, advertising sought only to convey information. But modern advertising seeks to create demand by influencing buyers' needs or desires. Therefore, buyers purchase a product most probably because they perceive a need or desire for it. They decide from whom and what brand to purchase. Awareness of their choices and an evaluation of which option is best influences their decisions.

There are several media as if they had been furniture at the living room. These media are so familiar for us that we consider them part of our lives. Among them, television and Internet are the most popular and current media. Television and Internet are very similar each other in that both were

creations of advanced modern technology. At the same time, television and Internet are different media in that Internet is newly invented after the popularity of television and overcomes both limitations of time and space television has. Also, by the time the media has played as familiar furniture on our places, advertising has supported them financially and structurally. The history of advertising is with the history of media. For more than 50 years, large and small advertisers have financially supported a variety of programming. Most advertisers have attempted to use the media in positive and constructive ways. Advertising has also acquired communication channels to reach their target consumers. The relationship between media and advertising was close, strong and long-lasting. Television is regarded by many as the single most powerful advertising medium available. This is partly because over 80% of the population watches television every day. According to the 2002 Marketing Pocket Book, commercial television viewing accounts for over 50%. It now includes cable and satellite options.

Today, with the increasing impact of the media especially television and Internet on our lives it has become easier for companies to manipulate people's minds through advertisement. It is impossible to go through a day without being bombarded with advertisements unless we live in the deepest part of the Amazon and even then it is likely that an American Express Employee will find us to hand us a replacement for our recently lost American Express credit card. Since it is so easy to reach vertically every age group through commercials, companies target specific audiences in their commercials in order to increase their profits. In fact, you will observe that companies with big advertisement budgets will produce different commercials for different times of the day to target their desired audience.

At the beginning of the production, advertising will inform audience what a product is like, where consumers can get it

*Chairman, Department of MBA, University of Mysore, Mysore, India

**Department of MBA, University of Mysore, Mysore, India



and how much it costs. Later it is necessary to persuade the people to keep on buying or attract new customers to buy. Modern advertising uses languages, pictures, sound and colors to sell the products as well as possible. Television is one of the most powerful advertising medium because we can get very detailed information about a product. Depending on your target group we have to decide the time when our spot shall be shown. It is not useful broadcasting an advertisement about cars in the children's program because this is not our target group and they cannot buy a car. In the afternoon there are many films on television which are interrupted regularly. At that time advertising can be very expensive. In fact, television advertisements have a strong impact. We might have noticed how well we can remember slogans long after the spot is over. Today, advertising is a major industry. Each year around 2% of all income in U.K. is spent on advertising. No television, Internet, radio, magazines and newspapers go without advertisements. Most advertising is communication between sellers and potential buyers. Advertisements should be educational but some advertisements contain no words, only colors, pictures and brand names. Demand can be affected by advertising. But producers could also introduce new products to increase sales or pack the product or pack the product differently. As a matter of fact, individuals' wants is determined by age, tastes and status. The key to good advertisement is in taking notice of the appropriate techniques so that the audience could be receptive.

REVIEW OF LITERATURE

Advertising is dated back to the Christian era. One of the first known methods of advertising was outdoor signs; they would be painted on the wall of a building and were usually very eyeing catching. Archaeologists have found signs in the ruins of ancient Rome and Pompeii which advertised travelers to go to a tavern situated in another town. In about the 1440's there was an invention of a moveable-type of advertising which was a printing press. In the 16th century some companies had a trade mark which has a two or three dimensional picture or sign. In both volume and technique, advertising is hard and expensive to advertise nationally because the United States was still undeveloped and there was little or no means of transport, distribution or communication. Eventually, certain type of manufactures thought of the idea of bypassing wholesalers, retailers and using catalogs. Mail order and pamphlets appeared around the 1870's. Late in the 19th century many American firms began to market packaged goods under brand names. Previously consumers had not been aware of or influenced by brand names. The first product that had brand names was soap products. In the 1880's a few brands came out and they were Ivory, Pears, Kirks American Family and Packer's. A wise man once said, "The person who saves money by not advertising is like the man who stops the clock to save time."

In today's fast-paced, high-tech age, businesses have to use some form of advertising to make prospects aware of their products and services. Even a famous company like Coca-Cola continually spends money on advertising to support recognition of their products. Last year Coca-Cola spent more than \$150 million to keep its name in the forefront of the public's eye.

Nowadays, the owners of enterprises know that advertising is an investment in the future of their businesses. They have naturally used mass media of communications in order to let a large number of people know about their products. There is nothing wrong with that, as it allows innovative ideas and concepts to be shared with others. However, as the years have progressed, the sophistication of advertising methods and techniques have advanced, and they enticed and shaped and even created consumerism and needs where there has been none before. There isn't the best way for advertising their products or services. It is important for them to explore the various advertising media which convey their message to their customers in a cost-efficient manner. Advertising media for effective advertising campaign is very essential. Advertising media consists of all means by which the advertiser communicates his/her message to prospective buyers. The term "Media" is the plural for medium. In advertising terms, a medium is a channel of communication such as newspaper, magazine, radio, television, Internet and so forth that aid in closing the gap between the producers at the one end and the consumer at the other end. Enterprises or organizations use different media for entertainment. They see the product in the form of newspapers, magazines, TV program, Internet, radio and etc. Each medium is applying marketing concepts to the designing of the right products, selling it at the right place, distributing it through several outlets and at times, taking help of the right promotional means to increase its circulation or improve the publicity of its program. In short, media have to market their products properly. Advertising media is the means of conveyance which carries the sales message effectively carried from seller to the potential buyer.

In the era of mass production and mass distribution similar products are available in the market. This naturally leads to competition among producers. Many firms adopt the vigorous means to maintain their existence in the market, as there are many substitutes in the market. This tendency is a struggle for the producers for their survival in the modern business world. All businessmen aim to make profits by increasing sales at a reasonable price policy. The public must know when we manufacture good quality products or offer expert services. For this mass communication is needed.

Advertising is one of the most important and the most expensive marketing functions. Yet, by some estimates, half of all advertising is ineffective. Therefore, this research will study the effective advertising media in the case of cell

phone users. Evaluation on the effectiveness of advertising media in this study can be categorized as Post Advertising Evaluation. Post Advertising Evaluation is executed after the advertising has been in market for some time. It does not require that the evaluation be in place before the beginning of the advertising campaign because it is conducted entirely after the advertising has been aired. The companies with a longer-term perspective, however, will win the marketing wars through the effective use of advertising in the major media. Thus, the organizations have to be careful selecting the appropriate Medias for advertising. According to Mike T Bendixen (1993), advertising represents an important means by which organizations communicate with their customers, both current and potential. It is meant that advertising helps the companies to send message regarding the product to the target market.

Medias of Advertising and Its Characteristics

There can be several branches of advertisement mentioned below are the various categories or types of advertising:

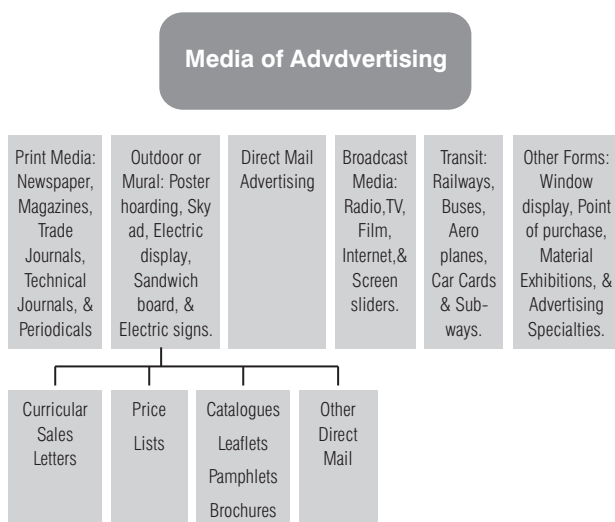


Figure 1: Medias of Advertising

Print advertising: Newspapers, Magazines, Brochures, and Fliers

The print media have always been a popular advertising medium. Advertising products via newspapers or magazines is a common practice. In addition to this, the print media also offers options like promotional brochures and fliers for advertising purposes. Often the newspapers and the magazines sell the advertising space according to the area occupied by the advertisement, the position of the advertisement (front page/middle page), as well as the readership of the publications. For instance an advertisement in a relatively new and less popular newspaper would cost far less than placing an advertisement in a popular newspaper with a high readership. The price of print ads also depend on the

supplement in which they appear, for example an advertisement in the glossy supplement costs way higher than that in the newspaper supplement which uses a mediocre quality paper.

Outdoor advertises: Billboards, Kiosks, Tradeshow and Events

Outdoor advertising is also a very popular form of advertising, which makes use of several tools and techniques to attract the customers outdoors. The most common examples of outdoor advertising are billboards, kiosks, and also several events and tradeshow organized by the company. The billboard advertising is very popular however has to be really terse and catchy in order to grab the attention of the passers by. The kiosks not only provide an easy outlet for the company products but also make for an effective advertising tool to promote the company's products. Organizing several events or sponsoring those makes for an excellent advertising opportunity. The company can organize trade fairs, or even exhibitions for advertising their products. If not this, the company can organize several events that are closely associated with their field. For instance a company that manufactures sports utilities can sponsor a sports tournament to advertise its products.

Broadcast advertising: Television, Radio and the Internet

Broadcast advertising is a very popular advertising medium that constitutes of several branches like television, radio or the Internet. Television advertisements have been very popular ever since they have been introduced. The cost of television advertising often depends on the duration of the advertisement, the time of broadcast (prime time/peak time), and of course the popularity of the television channel on which the advertisement is going to be broadcasted. The radio might have lost its charm owing to the new age media however the radio remains to be the choice of small-scale advertisers. The radio jingles have been very popular advertising media and have a large impact on the audience, which is evident in the fact that many people still remember and enjoy the popular radio jingles.

Covert advertising: Advertising in Movies

Covert advertising is a unique kind of advertising in which a product or a particular brand is incorporated in some entertainment and media channels like movies, television shows or even sports. There is no commercial in the entertainment but the brand or the product is subtly (or sometimes evidently) showcased in the entertainment show. Some of the famous examples for this sort of advertising have to be the appearance of brand Nokia which is displayed on Tom Cruise's phone in the movie Minority Report, or the use of Cadillac cars in the movie Matrix Reloaded.



Surrogate advertising: Advertising Indirectly

Surrogate advertising is prominently seen in cases where advertising a particular product is banned by law. Advertisement for products like cigarettes or alcohol which are injurious to health are prohibited by law in several countries and hence these companies have to come up with several other products that might have the same brand name and indirectly remind people of the cigarettes or beer bottles of the same brand. Common examples include Fosters and Kingfisher beer brands, which are often seen to promote their brand with the help of surrogate advertising.

Public Service Advertising: Advertising for Social Causes

Public service advertising is a technique that makes use of advertising as an effective communication medium to convey socially relevant messages about important matters and social welfare causes like AIDS, energy conservation, political integrity, deforestation, illiteracy, poverty and so on. David Ogilvy who is considered to be one of the pioneers of advertising and marketing concepts had reportedly encouraged the use of advertising field for a social cause. Ogilvy once said, "Advertising justifies its existence when used in the public interest - it is much too powerful a tool to use solely for commercial purposes." Today public service advertising has been increasingly used in a non-commercial fashion in several countries across the world in order to promote various social causes. In USA, the radio and television stations are granted on the basis of a fixed amount of Public service advertisements aired by the channel.

Celebrity Advertising

Although the audience is getting smarter and smarter and the modern day consumer getting immune to the exaggerated claims made in a majority of advertisements, there exist a section of advertisers that still bank upon celebrities and their popularity for advertising their products. Using celebrities for advertising involves signing up celebrities for advertising campaigns, which consist of all sorts of advertising including, television advertisements or even print advertisements.

Transit Advertisement

Transit Advertisement consist of card advertising, which is located within busses, subways, and railway and outside display which appear on the front's sides and backs of busses or other public transport and at transportation terminals. Transit advertising is the lowest cost media. It gives geographic selectivity and seasonal selectivity. It has high leadership. It can reach pedestrian and traveling public. However, non riders and not exposed to car-cards located inside the vehicle. Car-cards have small size and they can carry only short copies. Transit advertising is limited in quantity by the number of public vehicles in operation.

Direct Mail

Direct mail is any advertising sent in mail including sales letter, folders, pamphlets, booklets, catalogues, and the like. Direct mail is the most personal and selective media. It reaches only the desired prospects. It has minimum waste in circulation. The advertising copy can be very flexible. It has maximum possible personal features even without personal contacts. It can provide detailed information about the products or service, creating lasting impression. Its effectiveness is measurable. It can be timed as per advertiser's will. It has a maximum personal appeal. It can take any size, shape or form permitted by the post office. It is not in direct competition with the rival matter. Extensive testing can be done on the product, price, appeal or other factors before the entire mailing is sent out, the result of direct mail advertising can be checked by means of an offer incorporated in the mailing. However, direct mail is costly. We may not have proper mailing list. Receiver may consider it as junk mail as it may not have an entertainment value. It is not a good mean of mass communication.

Advertising Specialties

These include a wide variety of items such as calendars, books, matches, pen, pencil, knives, key rings, diaries, cigarette lighter, blotters, paper weights, electronic clocks, purses, rain hats and so on. They are giving to advertising targets without any cost of obligation. Advertiser's name, address, phone number and short sales message are imprinted on the items. The advertisers can choose from among 5000 specialties in the markets. Advertiser specialties are reminder type of promotion. It is hoped that they will lead to customer's order and re-order. However, they have limited spaces available for sales message. They are also costly.

Point of Purchase Advertising

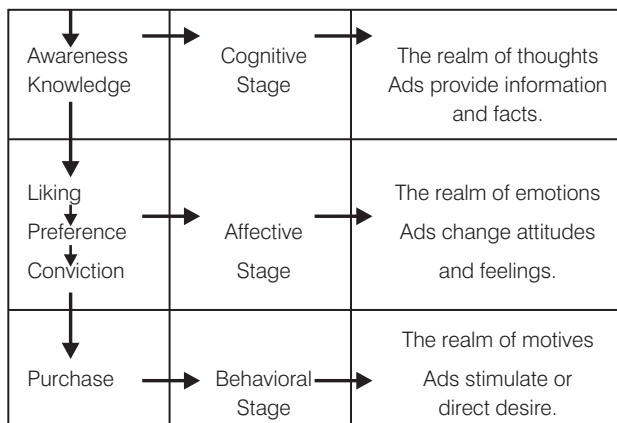
It really represents sales promotion devices. It covers the display material used in advertising programmes. Such point of purchase material may include advertising on the package, window banners, and shelf-talkers, merchandise tags, package stuffers, information folders and booklets and such other displaying materials.

Hierarchy of Effects Model by Lavidge and Steiner

Lavidge and Steiner created a model to measure advertising effectiveness based on a classic psychological model that classifies behavior into three categories:

- The cognitive component is the intellectual, mental, or "rational" states.
- The affective component is the "emotional" or "feeling" states.
- The cognitive or motivational component is the "striving" states, relating to the tendency to treat objects as positive or negative goals.

The cognitive component involves both aspects of awareness and perceptions relative to the following dimensions: recall, information, believability, and comprehension. The affective component deals with consumers' feeling toward a product. The cognitive component relates to consumers' conviction and buying intention.



Adapted from: George E Belch and Michael A Belch, 2001

Figure 2: Effect of Advertising on Consumers; Movement from Awareness to Action

This study uses Hierarchy of Effects model by Lavidge and Steiner because Cell Phone services can be considered as high involvement products. As said by Mike T Bendixen (1993), the greater the extent of consumer involvement, the greater the length of time it takes to make the purchase decision and the less frequently the product or service will be purchased. Consumers will go through several stages before purchasing the products. Therefore, advertisement plays an important role to the customers in building awareness, generating knowledge, creating liking, and arousing preference, convincing, and creating purchase. According to Mike T Bendixen, advertising will play a significant role at the launch of the product to move the consumer through the cognitive, affective, and behavioral stages but thereafter sales momentum will dominate any direct advertising effect. Advertising at the first time will move the consumer from the awareness stage to the purchase stage towards the product. Subsequently, after the advertisement is able to affect the sale, advertising will have direct impact.

Research Methodology

Primary data and secondary data are used as approaches for the purpose of the study. Primary data will be obtained only through the questionnaires. On the other hand, secondary data will be collected from Internet websites, journal, reference books and articles.

Primary Data (Questionnaire)

The collection of primary data is applied for the purpose of increasing reliability and validity of the data relevant to the objectives of the study. Thus, questionnaire is used as the only method in this study as primary data due to the reason that questionnaire is the most effective method in gathering data. Interview to the company is not required since this study is based on only the consumers' knowledge and perception.

Secondary Data

Secondary data is one of the cheapest and easiest means of access to information. Secondary data will be collected from Internet website, reference books, journal (past studies) and articles.

The sample consisted of total 105 respondents divided under six categories: businessman, housewife, professional, student, government officer and retired.

Data Analysis

The data collected through questionnaires will be analyzed by using Statistics Package for Social Science (SPSS) software version 12.00. The ways of analysis of the data are including cross tabulation, and descriptive. Cross tabulation is used for counting responses for combination of variable. Descriptive is used to compare the mean of effectiveness of advertising in each level of Hierarchy Effects Model by Lavidge and Steiner.

RESULTS

The Most Influential Media of Advertising Based on Gender

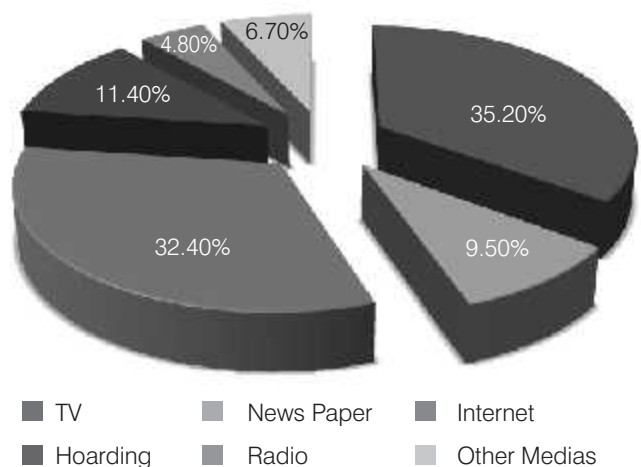


Figure 3: The Most Influential Media of Advertising Based on Gender

The above figure shows the most influential media of advertising that affect the respondents' decision making towards the Cell Phone purchasing based on the gender of the respondents. 35.20 % out of the respondents selected TV as the most influential advertisement media. Following by 32.40 % selected Internet as the most influential media of advertising for Cell Phone.

The Most Influential Media of Advertising Based on Age

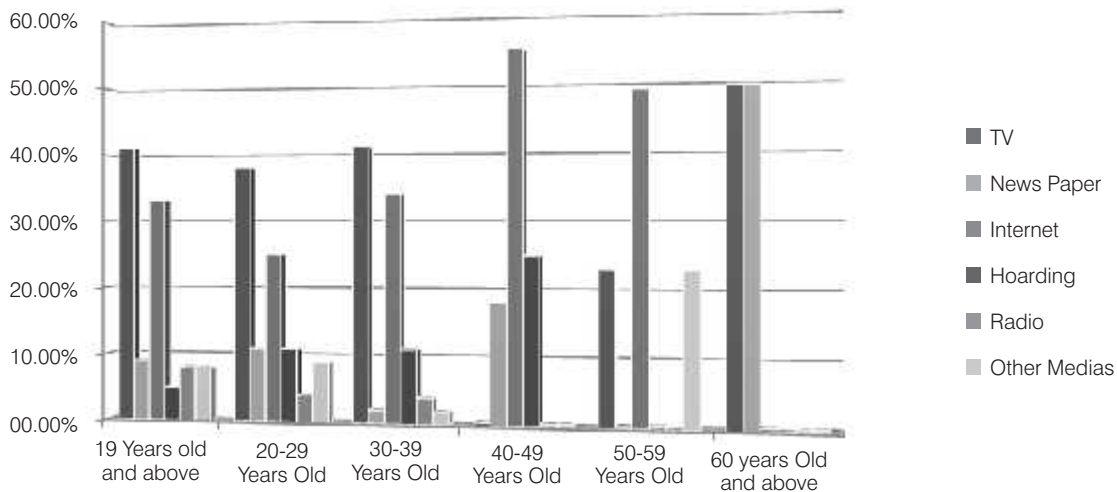


Figure 4: The Most Influential Media of Advertising Based on Age

From above cross tabulation and figure, highly responded answer is given towards

- In the three age groups from below 19 to 39 years old, TV is the most effectiveness media followed by Internet as well as the most helpful media in obtaining information in this study because of its strengths. Television has the ability to provide entertainment and to generate excitement, and thus what being advertised can be presented dramatically and made to appear more exciting and less mundane than perhaps they actually are. Therefore, customers can be influenced in their purchasing decision.
- In the age group of 40 – 49 years old, Internet is the most effectiveness media as well as the most helpful media in obtaining information in this study because of its strengths. Findings also show that none of the age group

of 40 – 49 years old respondents selects TV and radio advertising as the most influential and most helpful Medias in providing information.

- In the age of 50 – 59 years old both Internet and TV are the most effectiveness medias because of their strengths but none of them selects newspaper, hoardings and radio advertising as the most influential and most helpful media in providing information.
- For age group of 60 years old and above, both TV and newspaper are the most effectiveness media due to their strengths in influencing customers in purchasing decision. But none of them selects Internet, hoardings and radio advertising as the most influential and most helpful media in providing information.

The Most Influential Media of Advertising Based on occupation

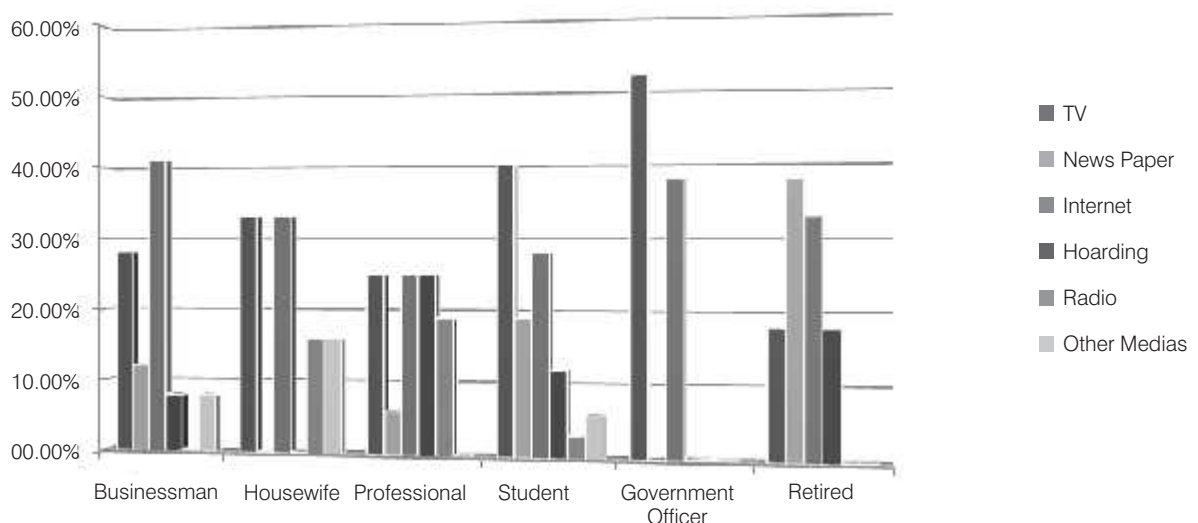


Figure 5: The Most Influential Media of Advertising Based on Occupation

As per the above cross table and figure, it clearly explains the perception of the respondents towards influential advertising media that affects on Cell Phone decision making as follows:

- The majority of businessman respondents select the Internet (40.9 %) as the most influential advertising media, followed TV (27.3 %) as a second influential advertising media. And none of them didn't choose radio media as influential and helpful media that affect on Cell Phone decision making.
- The majority of housewife respondents select both TV and Internet (33.3%) each as the most influential advertising media followed radio (16.7 %) as a second influential advertising media. And none of them didn't choose newspaper and hoarding medias as influential and helpful medias that affect on Cell Phone decision making.
- The majority of professional respondents select TV, Internet and hoarding (25 %) each as the most influential advertising media followed radio (18.8 %) as a second influential advertising media.
- The majority of student respondents select TV (40.5 %) as the most influential advertising media followed Internet (28.6 %) as a second influential ad media.
- The majority of government officer respondents select TV (53.8%) as the most influential advertising media followed Internet (38.5%) as a second influential advertising media. And none of them didn't choose newspaper, hoarding and radio Medias as influential and helpful medias that affect on Cell Phone decision making.
- The majority of retired respondents select newspaper and Internet (33.3%) each as the most influential advertising media followed both TV and hoarding (16.7%) as a second influential ad media. And none of them didn't choose radio and other Medias as influential and helpful medias that affect on Cell Phone decision making.

The most Helpful Media in Obtaining Information Based on Gender

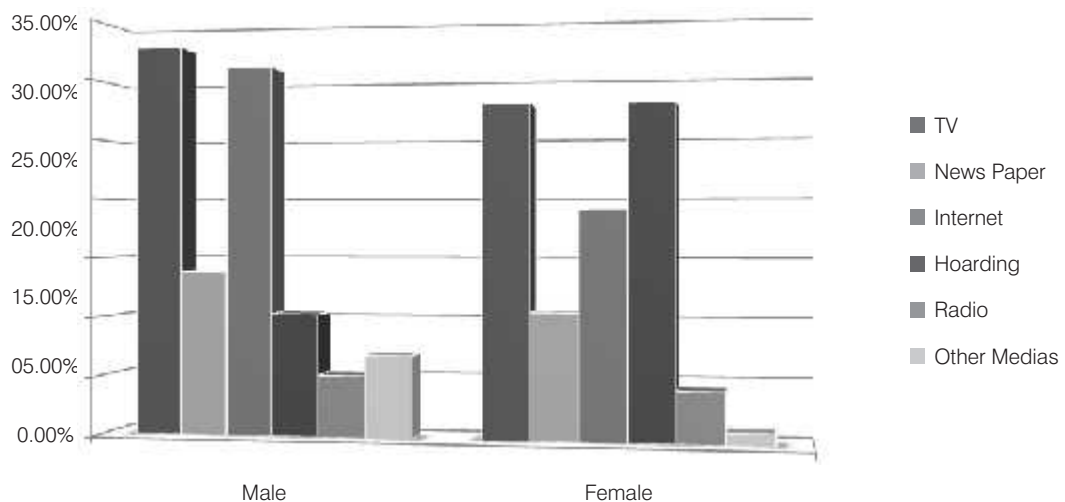


Figure 6: The Most Helpful Media in Obtaining Information Based on Gender

According to the survey for the most helpful media of Cell Phone in obtaining information, the majority of the male respondents selected TV (32.8%) as the most helpful media. Following by that, 31.0 % of the female respondents selected both television and hoarding as the most helpful Medias of advertising. However, the majority of the female respondents selected television and hoarding as the most helpful medias for Cell Phone advertising. And Internet is not as helpful media of advertising. Following by that, 19.1 % of the female respondents selected Internet as the most helpful media of

advertising in obtaining information. While for newspapers, 13.8 % of the male respondents selected this media, only 10.6 % of the female respondents selected newspaper as helpful media enough in obtaining information. For hoardings, only 10.3 % of male respondents selected this media. For radio, 5.2 % of the male respondents selected this media, only 4.3 % of the female respondents selected radio as helpful media enough in obtaining information. 6.9 % of the male respondents and 10.6 % of the female respondents choose other Medias.

The Most Helpful Media in Obtaining Information Totally

The above figure shows the most helpful media of advertising in obtaining the information towards the Cell Phone purchasing of the 105 respondents. 30.50 % out of the respondents selected TV as the most helpful advertisement media. Following by 26 % selected Internet, 18.10 % hoarding, 12.40 % newspaper, 6.90 % other Medias and 4.80 % radio as the most helpful media of advertising for Cell Phone.

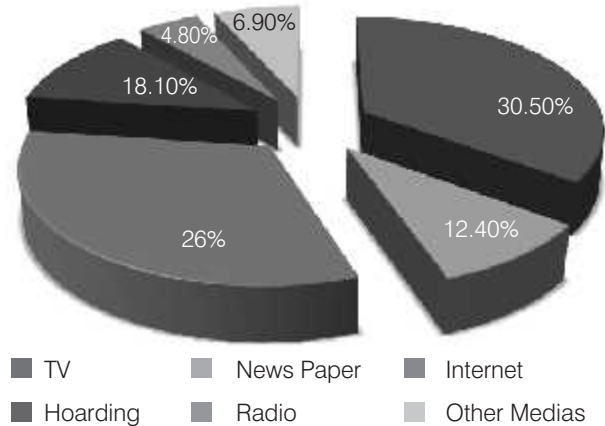


Figure 3: The Most Influential Media of Advertising Based on Gender

The most Helpful Media in Obtaining Information Based on Age

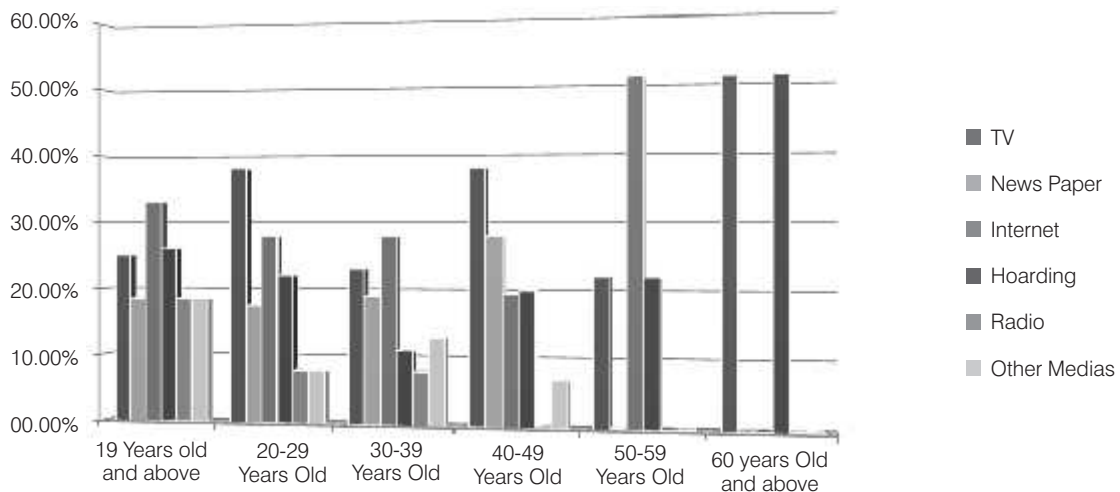


Figure 8: The Most Helpful Media in Obtaining Information Based on Age

From above cross tabulation and figure, highly responded answer is given towards:

- In the three age groups, 19 and below (33.30 %), 30 – 39 (26.50 %) and 50 – 59 (50 %) years old, Internet is the most helpful media followed by TV as well as the most helpful media in obtaining information in this study because of its strengths.
- Those are more conversant towards technology. They are the group of people who keep themselves up to date about technology.
- In the age group of 40 – 49 years old, TV (36 %) is the most helpful media as well as the most helpful media in

obtaining information in this study because of its strengths. Television has the ability to provide entertainment and to generate excitement, and thus what being advertised can be presented dramatically and made to appear more exciting and less mundane than perhaps they actually are.

- For age group of 60 years old and above, both TV and hoarding are the most helpful Medias due to their strengths in helping customers in obtaining information related to the Cell Phone. But none of them selects newspaper, Internet, radio and other Medias as the most helpful Medias in obtaining information.

The most Helpful Media in Obtaining Information Based on Occupation

As per the above cross table and figure, it clearly explains the perception of the respondents towards helpful advertising media in obtaining information as follows:

- The majority of businessman respondents select the Internet (36.40 %) as the most helpful advertising media,

followed TV (32 %) and newspaper (22.70 %) as helpful advertising medias. And none of them chose radio as a helpful media in obtaining information.

- The majority of housewife respondents select hoarding (33.3%) as the most helpful advertising media followed

TV (17 %) and Internet, radio, other medias (16.7 %) each as helpful advertising medias. And none of them chose newspaper as a helpful media in obtaining information related to the Cell Phone.

- The majority of professional respondents select TV (25%) as the most helpful advertising media followed both Internet, hoarding (18.8 %) each and newspaper, radio, other medias (12.50 %) each as helpful advertising medias.
- The majority of student respondents select TV (29 %) as

the most helpful advertising media followed Internet (21.40 %) as a second helpful advertising media.

- The majority of government officer respondents select TV (31 %) as the most helpful advertising media followed Internet (30.80 %) as a second helpful advertising media.
- The majority of retired respondents select TV (67 %) as the most helpful advertising media followed Internet (33.30 %) as a second helpful advertising media. And none of them chose newspaper, hoarding, radio and other medias as helpful medias in obtaining information.

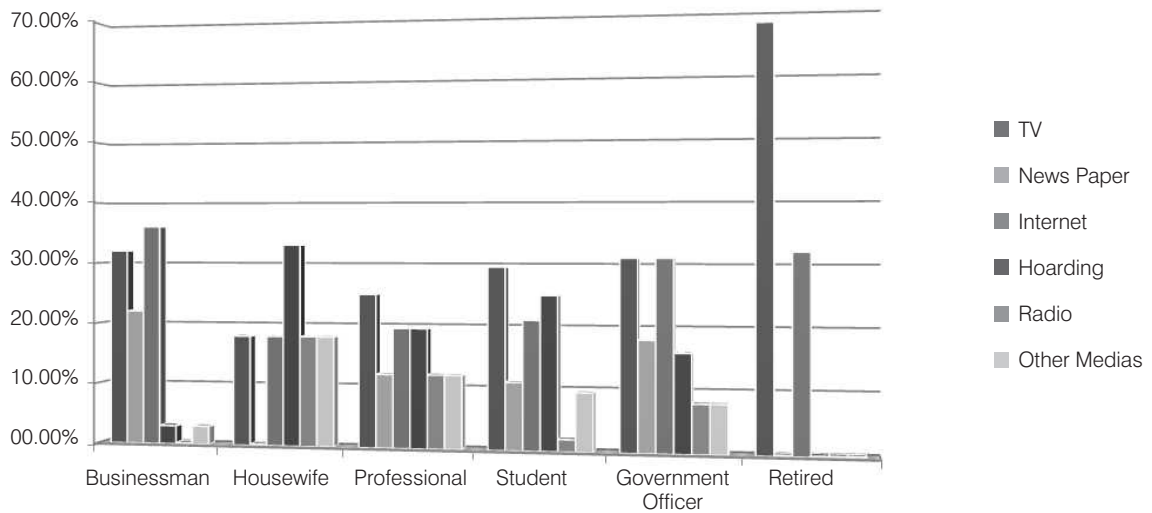


Figure 9: The Most Helpful Media in Obtaining Information Based on Occupation

Medias in Generating Hierarchy Effects Level Newspaper

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|-----------|-----|---------------------|--------------------|----------------|-----------|--------|
| Newspaper | 105 | 1 | 6 | 3.15 | 1.87 | 2.6867 |
| Valid N | 105 | | | | | |

Table 1: Descriptive Statistics of Newspaper for Generating Hierarchy Effects Level

Regarding to the 105 respondents, the majority of respondents suggested that newspaper can create more knowledge level than other levels, but the above table represents that the mean value of newspaper is equal to 3.15

and this value is more than the total mean (2.6867), so it gives an implication that newspaper can create all levels in Hierarchy Effects Model by Lavidge and Steiner even purchase level.

Television

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|------------|-----|---------------------|--------------------|----------------|-----------|--------|
| Television | 105 | 2 | 6 | 3.76 | 1.91 | 2.6867 |
| Valid N | 105 | | | | | |

Table 2: Descriptive Statistics of Television for Generating Hierarchy Effects Level

From the appraisal, it is clearly understand that the mean value of TV advertising is 3.76 which are more than the total mean and it is the highest mean value compare to other Medias. So it can be accomplished that TV can produce the

decision to purchase by the respondents concerning to the Cell Phone services. The maximum responded value is 6 (purchase) and the minimum value is 2 (knowledge).

Radio

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|---------|-----|------------------------|-----------------------|-------------------|--------------|--------|
| Radio | 105 | 1 | 6 | 2.28 | 1.46 | 2.6867 |
| Valid N | 105 | | | | | |

Table 3: Descriptive Statistics of Radio for Generating Hierarchy Effects Level

The study represents that the mean value of the radio is 2.28 that is less than the total mean value (2.6867). So radio is not a valuable media like television. This mean value gives a

suggestion that radio has the ability just to generate the knowledge level regarding to the Cell Phone services.

Magazines

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|-----------|-----|------------------------|-----------------------|-------------------|--------------|--------|
| Magazines | 105 | 1 | 4 | 2.28 | 1.25 | 2.6867 |
| Valid N | 105 | | | | | |

Table 4: Descriptive Statistics of Magazines for Generating Hierarchy Effects Level

The majority of respondents recommended that magazine can create more knowledge level than other levels. This table shows the mean value of magazine is equal to 2.82 and this value is a little more than the total mean (2.6867), so it gives

an claim that magazine could be a useful media concerning to the Cell Phone services. The maximum responded value is 4 (preference) and the minimum value is 1 (awareness).

Internet

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|----------|-----|------------------------|-----------------------|-------------------|--------------|--------|
| Internet | 105 | 1 | 6 | 3.67 | 1.73 | 2.6867 |
| Valid N | 105 | | | | | |

Table 5: Descriptive Statistics of Internet for Generating Hierarchy Effects Level

The survey shows that the mean value for Internet advertising by 3.67, which is more than the total mean value (2.6867). It

strongly remarks that this media generates purchase level towards Cell Phone services not as much as TV.

Outdoor

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|---------|-----|------------------------|-----------------------|-------------------|--------------|--------|
| Outdoor | 105 | 1 | 6 | 2.80 | 1.91 | 2.6867 |
| Valid N | 105 | | | | | |

Table 6: Descriptive Statistics of Outdoor for Generating Hierarchy Effects Level

Outdoor may not be as effective as other media of advertising. The above table shows the mean value of outdoor by 2.80 which are a little more than the total mean

(2.6867), so it gives an implication that outdoor would be a helpful media concerning to the Cell Phone services.

Brochure

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|----------|-----|------------------------|-----------------------|-------------------|--------------|--------|
| Brochure | 105 | 1 | 3 | 1.99 | 1.24 | 2.6867 |
| Valid N | 105 | | | | | |

Table 7: Descriptive Statistics of Brochure for Generating Hierarchy Effects Level

The survey shows that the brochure helped the purchasers' knowledge level towards Cell Phone services. It shows that the mean value of the brochure is equal to 1.99 which is less than the total mean value. It strongly remarks that this media

generates knowledge level towards Cell Phone services not as much as other media of advertising. The maximum responded value is 3 (liking) and the minimum value is 1 (awareness).

Word of Mouth

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|-------------------------------|-----|---------------------|--------------------|----------------|-----------|--------|
| Word of Mouth (friends, etc.) | 105 | 1 | 6 | 3.37 | 1.61 | 2.6867 |
| Valid N | 105 | | | | | |

Table 8: Descriptive Statistics of Word of Mouth for Generating Hierarchy Effects Level

Since Kotler P mentioned that satisfied customers inform their satisfaction to limited number of people, but dissatisfied customers inform their dissatisfaction to hundreds of people. Word of mouth communication is the most vital marketing communication too in promoting Cell Phone services. This

survey represents that the mean value of word mouth is equal to 3.37 which is more than the total mean value. Hence, word of mouth could be a source of information that helps the provider of the Cell Phone in affecting the target customers in order to force them to make purchase decision.

Cell Phone Agents

| | N | Minimum (Awareness) | Maximum (Purchase) | Mean Deviation | Std. Mean | Total |
|-------------------|-----|---------------------|--------------------|----------------|-----------|--------|
| Cell Phone Agents | 105 | 1 | 4 | 2.28 | 1.25 | 2.6867 |
| Valid N | 105 | | | | | |

Table 9: Descriptive Statistics of Cell Phone Agent for Generating Hierarchy Effects Level

Cell Phone agents provide the Cell Phone services to the buyers. They deal and involve themselves directly to the Cell Phone buyers, so they can understand better what the requirements of the customers are. This survey represents

that the mean value of the Cell Phone is equal to 3.08 which is more than the total mean value (2.6867). Also this study shows that Cell Phone agents are able to generate the liking level towards the Cell Phone customers.

CONCLUSION

Today's marketers undertake a variety of tasks as they attempt to build customer relationships and the knowledge and skill sets needed to perform these tasks successfully are also varied. The majority of the respondents in this study are those people whose age ranges from 20 to 49 years old. It can be understood that people in these ages tend to have more purchasing power. Furthermore media consumption has changed over the years, while the consumption of TV for instance remains stable, the internet consumption increases dramatically, in the younger target groups it has already outgrown the TV consumption, therefore an attenuation of this trend can be expected. Students are the greater part of the Cell Phone users that have educational background. This can be understood that since this part of people has better educational background, they will be likely to seek for the information about the Cell Phone, and will not easily be influenced. Sometimes purchasers may like to purchase Cell Phone, but do not prefer it others. It is as what being quoted by Philip Kotler as following: "The target audience might like the product but not prefer it to others; in this case, the advertiser must try to build consumer preference by promoting the quality, value, performance, and other features. The advertiser can check the campaign's success by measuring audience preference after campaign." The mean value obtained in this study give a conclusion that upgrading should be made towards Cell Phone advertisements. What being promised in the advertisements should be satisfied so that the buyers will be dissatisfied? This is strongly to avoid gap between the consumers'

expectation and the developer performance. Many a time customers feel disappointed when what is promised in the advertisements does not meet with the real performance. Consequently, from this study, it is not only the advertisement should be put into consideration, but also the performance should take into account.

The possible explanation could be made towards Cell Phone advertisements is uninteresting and boring, which can power to the ineffective in creating awareness, knowledge and liking. The interesting advertising campaign may lead the customers to like the advertised products. Yet, when it goes to preference stage, advertising does not always make the products that customer like in the liking stage has to be preferred in the preference stage. The reason could be there are more options for consumers to choose and make the customers to prefer other products. Otherwise, there is degree of difference in preference towards the products, in this case Cell Phone services. The other possible explanation might be the unattractiveness of the Cell Phone advertisements in terms of color or noise. This factor can help to create customers' awareness and liking towards the product. Sometimes the interesting appeal is executed by the developer can seem uninteresting to the customers and at the end; it does not create customers' preference towards the product as it compared to competitors.

The most effectiveness Media

As mentioned before, the most effective media could be in term of the appropriateness and the influence of advertising



Medias used in affecting the target audiences in the buying decision towards the advertised products and also the potentiality of advertising Medias in helping the target audiences to obtain information regarding to the advertised products. Survey in this study shows that television, Internet, and hoardings can be the most effectiveness media in influencing and helping to provide information to the customers of Cell Phone. In the three age groups from below 19 to 39 years old, TV is the most effectiveness media followed by Internet as well as the most helpful media in obtaining information in this study because of its strengths. Television has the ability to provide entertainment and to generate excitement, and thus what being advertised can be presented dramatically and made to appear more exciting and less mundane than perhaps they actually are. Therefore, customers can be influenced in their purchasing decision.

In the age group of 40 – 49 years old, Internet is the most effectiveness media as well as the most helpful media in obtaining information in this study because of its strengths. The possible reason is that this group is more familiar towards technology. They are the group of people who keep themselves up to date about technology. Moreover, Internet is more popular in this group of people. Findings also show that none of the age group of 40 – 49 years old respondents selects TV and radio advertising as the most influential and most helpful Medias in providing information. These Medias might be ineffective Medias for this group because of the limitation of these medias in performing the tasks. Besides that, the people under this group might not aware of TV and radio advertisements. In the age of 50 – 59 years old both Internet and TV are the most effectiveness medias because of their strengths but none of them selects newspaper, hoardings and radio advertising as the most influential and most helpful media in providing information. These Medias might be ineffective Medias for this group because of the limitation of these medias in performing the tasks. Besides that, the people under this group might not aware of newspaper, hoardings and radio advertisements.

For age group of 60 years old and above, both TV and newspaper are the most effectiveness media due to their strengths in influencing customers in purchasing decision. But none of them selects Internet, hoardings and radio advertising as the most influential and most helpful media in providing information. These Medias might be ineffective Medias for this group because of the limitation of these medias in performing the tasks. Furthermore, television has the ability to provide entertainment and to generate excitement, and thus what being advertised can be presented dramatically and made to appear more exciting and less mundane than perhaps they actually are. Therefore, customers can be influenced in their purchasing decision. On the other hand, hoardings and newspaper are found as effectiveness Medias as well in this study because they

provide detailed information and conveying this information in the sense of authority. Besides that, hoardings and newspaper have the creative ability to get consumers involved in ads or in a sense to attract readers' interest and to encourage them to think about the advertised brands. Different types of media will give different impacts in generating the Hierarchy Effect level such as both television and Internet give purchasing impact, or newspaper gives knowledge impact and so on, which are so important for advertisers to know these features of the media.

REFERENCES

- Aaker, A.D (et. al. 2001), Marketing Research United States of America, John wily & Sons, Inc.
- URL: http://www.decisionanalyst.com/publ_art/adver.htm
- Altshuller, Genrich, The Innovation Algorithm: TRIZ, Systematic Innovation and Technical Creativity, Technical Innovation Center. 1999.
- Arrens, W.F (1999, Contemporary Advertising, Boston, Irwin Mc Graw-Hill.
- Batra, Rajeev-G (et. al. 1996), "Advertising Management", Prentice-Hall of India.
- Bendixen, T.M., (1993), "Advertising Effects and Effectiveness", URL:<http://library.com/vl=1122170/cl=56/nw=1/rpsv/~1168/v27n10/s2/p0>
- Branna, T (1998), A Practical Guide to Integrated Marketing Communication Planning & Developing a Strategy, London, Kogan Page Ltd.
- Belch, G.E. (et. al. 2001) Advertising and Promotion: An Integrated Marketing Communications Perspective, Boston, Mc Graw Hill Companies, Inc.
- Burnett, J. (et. al. 1998), Introduction to Marketing Communications: An Integrated Approach, United States of America, Prentice Hall, Inc.
- URL:<http://www.decisionanalyst.com/Services/copytest.htm> (cited 2 May 2008)
- Communicus: Advertising Effectiveness Measurement and Consulting (online) (cited 5 May 2008) URL: <http://www.communicus.com/methodology.html>
- Drucker, Peter F. (1954) "The Practice of Management". Harper Collins New York Publishers, Inc.
- Jefkins, F, Advertising, Oxford, Kogan Page Ltd, 5th edn, 1992.
- Klever, Alice September (2008), Behavioural Targeting - An Online Analysis for Efficient Media Planning? Hamburg: Diplomica Verlag.
- Kotler, P (2000), *Marketing Management*, United States of America, Prentice Hall, Inc.

MANAGEMENT OF INVENTORY IN INDIAN COMMERCIAL VEHICLES INDUSTRY

Sunil Kumar*

Vijita Aggarwal**

Sambhav Garg***

ABSTRACT

The paper presents and analyzes statistically the key inventory ratios of Indian Commercial Vehicles Industry and observes significant company-to-company differences in inventory ratios reflecting differences in inventory management policies.

Key Words: *Inventory, Vehicles Industry, inventory-holding period*

INTRODUCTION

Inventories are goods held for eventual sale by a firm. Inventories are thus one of the major elements of working capital. The cost of stocks is a sensitive area in the management of working capital. It is a well-known fact that the cost of raw material does constitute the highest portion of product cost. As Martin Grass rightly put it, "every organization has to have a clear policy for controlling the stocks failing which the profits of the firm would erode." There are three kinds of inventories called raw materials, work-in-progress and finished goods. Raw materials are goods, which have not yet been committed to production in a manufacturing firm. They may consist of basic raw materials and stores and spares. Work-in-progress includes those materials, which have been committed to production process but have not yet been completed. Finished goods are completed products awaiting sale. Though the company would enjoy the benefits like avoiding stock out situation, reducing ordering cost and achieving efficient production runs by holding inventories, it is also exposed to the risks like price decline in raw materials, product deterioration, ordering cost and carrying cost. It is because of the above-mentioned factors that management of inventories becomes pivotal issue in cost minimization and profit maximization.

Objectives of the Study

The present study attempts to achieve the following objectives.

- To study the composition of inventory in select units.
- To assess the efficiency of inventory management in these units.

Hypothesis of the Study

The study proposes to test the following hypotheses.

- There is no correlation between inventories and sales.
- Average ratio of inventory to sales of Indian Commercial Vehicles Industry does not differ significantly
- Average inventory holding period of Indian Commercial Vehicles Industry does not differ significantly.

- Average Inventory turnover ratio of Indian Commercial Vehicles Industry does not differ significantly.

Methodology of the Study

The study is largely analytical and descriptive in nature and focuses on inventory management in the select companies. Apart from critically examining the composition of inventories, the study attempts to analyze the efficiency of inventory management. In order to meet the objectives of the study data were collected from the secondary sources. The study concentrates on Indian Commercial Vehicles Industry, which includes Light Commercial Vehicles (LCVs), Medium Duty Vehicles (MDVs) and Heavy Duty Vehicles (HCVs). There are only five major players in the industry and all the companies were selected for the study purpose. The companies include Tata Motors Ltd. (TML), Ashok Leyland Ltd. (ALL), Bajaj Tempo Ltd. (BTL), Eicher Motors Ltd. (EML) and Swaraj Mazda Ltd. (SML). It should be noted that acronyms mentioned in the parentheses of the respective company are used in the construction of the tables in analysis. The period of the study was ten years from 1998 - 99 to 2008 - 2009. Though the researcher has tried his best to bring in perfection, the study suffers from the following limitations.

Analysis and interpretation of the study largely depends on secondary sources of data, which may not provide the scope to understand the current inventory management practices of the select companies. The percentage production of Light Commercial Vehicles, Medium Duty Vehicles and Heavy Commercial Vehicles of companies could not be taken into account while analyzing the results due to non-availability of sales composition.

Tools of analysis

Analysis and interpretation in the present study consists of compilation of data, calculation of key ratios, construction of tables and interpreting the results by using statistical tools. According to Kuchal, "A study of the causes of changes that take place in the balances from time to time is necessary in

*Faculty, SOMS, IGNOU, MaidanGarhi, New Delhi, INDIA

**Faculty, USMS, GGSIP University, Delhi, INDIA

***Faculty, MMIM, Maulana- Haryana, INDIA

order to measure the efficiency of the business. This kind of study involves the basic approach to inventory analysis. There are several tools to measure the efficiency of the company in managing inventory. The powerful indices, most commonly used, are ratio of inventory to sales, inventory turnover ratio and inventory holding period which are discussed briefly below:

Ratio of Inventory to Sales

Ratio of inventory to sales indicates the relationship between the inventory and sales. Higher inventory as percentage of sales indicates firm's inefficient management of inventory. Lower ratio indicates the firm's ability to make more business in terms of sales with less amount of inventory. This kind of scenario will have direct bearing on the profitability of the firm. As I.M. Pandey observes it, a proper balance between any asset and sales will reflect the way the assets are managed. Therefore higher ratio of inventory to sales will affect the profitability of the company. The ratio of inventory to sales, expressed as percentage, is computed as:

$$\frac{\text{Ending Inventory}}{\text{Sales}} \times 100$$

Inventory Turnover Ratio and Inventory Holding Period

According to Welch and Antony, inventory turnover ratio tends to measure the liquidity position and efficient management of inventory. The higher the inventory turnover ratio and the lower the inventory holding period, the more efficient is inventory management of firm. Inventory turnover ratio and inventory holding period are computed as follows.

$$\text{Inventory Turnover Ratio (times)} = \frac{\text{Cost of Goods Sold}}{\text{Average inventory}}$$

$$\text{Inventory Holding Period (days)} = \frac{365}{\text{Inventory Turnover Ratio}}$$

Cost of goods sold is computed by way of deducting gross profit from the sales and average inventory is found out by dividing the sum of opening and closing inventory by 2. Though there are no strict rules on the standards, experts still feel that general standard of inventory turnover ratio and holding period are 8 times and 46 days respectively.

Results and discussions

Inventory Composition The inventory structure of Indian Commercial Vehicles Industry is depicted in table I.

On an aggregate basis, the raw material was the highest part (55.71 percent) of total inventories across Commercial Vehicles Industry, followed by finished goods (32.52 percent) and work-in-progress (11.57 percent). Table 1 reveals that the Bajaj Tempo Ltd., the Eicher Motor Ltd. and the Swaraj Mazda Ltd. maintained more percentage of raw material, whereas

the Tata Motors Ltd. and the Eicher Motors Ltd. had less percentage of raw material than the industry aggregate (55.17 percent). In the case of finished goods, the Tata Motors Ltd., the Swaraj Mazda Ltd. and the Eicher Motors Ltd. had more percentage and the Bajaj Tempo Ltd. and the Eicher Motors Ltd. had less percentage than the industry aggregate of 32.52 percent. As far as work-in-progress is concerned the Tata Motors Ltd., the Eicher Motors Ltd. and the Bajaj Tempo Ltd. had more percentage and the Eicher Motors Ltd. and the Swaraj Mazda Ltd. had less percentage than that of the industry aggregate of 11.57 percent.

Ratio of Inventory to Sales

The ratio of inventory to sales of Indian Commercial Vehicles Industry is depicted in

Table 1-Inventory Structure of Indian Commercial Vehicles industry

(Rs. Crore)

| Inventory Details | TML | ALL | BTL | EML | SML | Mean |
|----------------------|---------|--------|--------|--------|-------|--------|
| Raw Material | 407.14 | 255.00 | 101.98 | 27.43 | 24.68 | 177.89 |
| % of Total Inventory | 40.43 | 52.00 | 61.21 | 69.39 | 55.92 | 55.71 |
| Work-in-progress | 182.41 | 67.56 | 22.37 | 3.04 | 2.58 | 55.59 |
| % of Total Inventory | 18.38 | 14.00 | 13.47 | 6.68 | 5.69 | 11.57 |
| Finished Goods | 423.98 | 174.10 | 42.69 | 10.58 | 18.13 | 133.90 |
| % of Total Inventory | 41.19 | 34.00 | 25.29 | 23.93 | 38.4 | 32.52 |
| Total Inventory | 1013.52 | 496.31 | 167.05 | 41.05 | 45.38 | 352.66 |
| Total % | 100 | 100.00 | 100 | 100.00 | 100 | 100.00 |

Source: www.insight.asiancerc.com (calculated from the figures available in the balance sheets of the company concerned)

Table 2-Ratio of Inventory to Sales of Indian Commercial Vehicles Industry (in %)

Rs. Crore

| Year | TML | ALL | BTL | EML | SML | Mean |
|------|-------|-------|-------|-------|-------|-------|
| 1999 | 13.79 | 12.54 | 27.68 | 16.02 | 20.12 | 18.03 |
| 2000 | 12.76 | 13.56 | 22.62 | 17.46 | 29.45 | 19.17 |
| 2001 | 11.32 | 14.22 | 24.87 | 11.98 | 35.42 | 19.56 |
| 2002 | 13.18 | 13.92 | 31.14 | 11.3 | 25.14 | 18.94 |
| 2003 | 12.97 | 10.59 | 35.03 | 7.49 | 30.53 | 19.32 |
| 2004 | 11.27 | 8.37 | 28.03 | 10.67 | 14.64 | 14.60 |
| 2005 | 13.68 | 7.63 | 29.83 | 6.87 | 18.53 | 15.37 |
| 2006 | 11.11 | 6.63 | 20.99 | 6.17 | 15.74 | 12.13 |
| 2007 | 10.69 | 4.92 | 17.93 | 5.16 | 16.02 | 10.94 |
| 2008 | 7.41 | 4.87 | 13.7 | 8.07 | 12.61 | 9.33 |
| Mean | 11.82 | 9.73 | 25.18 | 10.12 | 21.85 | 15.74 |

Source: www.insight.asiancerc.com (calculated from the figures available in the balance sheets of the company concerned)

Table 3 (ANOVA)

| Source of Variation | SS | df | MS | F | P-value | F crit |
|---------------------|----------|----|----------|----------|----------|----------|
| Between Groups | 2096.414 | 4 | 524.1035 | 19.04369 | 3.17E-09 | 2.578737 |
| Within Groups | 1238.515 | 45 | 27.52255 | | | |
| Total | 3334.929 | 49 | | | | |

Source: Calculated from MS-Excel Software

Table 4-Inventory Turnover ratio (times) of Indian Commercial Vehicles Industry

| Year | TML | ALL | BTL | EML | SML | Mean |
|------|-------|------|------|-------|------|-------|
| 1999 | 6.38 | 4.8 | 3.31 | 5.85 | 4.92 | 5.05 |
| 2000 | 7.72 | 4.97 | 4.13 | 6.18 | 4.21 | 5.44 |
| 2001 | 8.22 | 4.18 | 4.02 | 7.13 | 2.95 | 5.30 |
| 2002 | 6.26 | 2.81 | 3.33 | 7.45 | 3 | 4.57 |
| 2003 | 7.03 | 3.4 | 2.73 | 10.14 | 3.31 | 5.32 |
| 2004 | 9.26 | 5.48 | 3.46 | 11.29 | 5.72 | 7.04 |
| 2005 | 7.9 | 4.96 | 2.99 | 12.97 | 6.03 | 6.97 |
| 2006 | 8.25 | 4.32 | 3.55 | 15.53 | 6.25 | 7.58 |
| 2007 | 9.32 | 5.56 | 5.06 | 18.14 | 6.55 | 8.93 |
| 2008 | 12.06 | 7.71 | 6.78 | 18.06 | 7.4 | 10.40 |
| Mean | 8.24 | 4.82 | 3.94 | 11.27 | 5.03 | 6.66 |
| S.D | 1.7 | 1.34 | 1.19 | -4.75 | 1.6 | 1.89 |

Source: www.insight.asiancerc.com

The ratio of inventory to sale of Indian Commercial Vehicles Industry varied between the highest of 19.56 percent in 2001 and the lowest of 9.33 percent in the year 2008 with an aggregate of 15.74 percent. The data in table 2 indicate that the ratio of inventory to sales of Tata Motors Ltd., Ashok Leyland Ltd. and Eicher Motors Ltd. was much lower than the yearly industry average during the entire period. Whereas in the case of Bajaj Tempo Ltd. and Swaraj Mazda Ltd. the inventory as percentage of sale was above the yearly industry average in every year during the study period. On an overall basis, the Tata Motors Ltd, Ashok Leyland Ltd. and Eicher Motors Ltd. were the only companies to have invested the funds in inventory as percentage to sales below the industry aggregate of 15.74 percent. Whereas, the Bajaj Tempo Ltd and the Swaraj Mazda Ltd. have tied up more funds in inventory as percentage of sales than the industry aggregate.

The average ratios of inventory to sales of select companies have been compared using one-way ANOVA and are tested by the following hypothesis. The results are shown in table 3.

H_0 : The average ratios of inventory to sales of Tata Motors Ltd., Ashok Leyland Ltd., Bajaj Tempo Ltd., Eicher Motors Ltd., and Swaraj Mazda Ltd. Do not differ significantly.

Inference: Since $F_{cal} > F_{crit}$ the average ratio of inventory to sales of select companies differ significantly.

Inventory Turnover Ratio: The inventory turnover ratio of Indian Commercial Vehicles Industry is presented in table 4.

The inventory turnover ratio of Indian Commercial Vehicles Industry varied between the highest of 10.4 times in 2008 and the lowest of 4.57 times in 2002. The Tata Motors Ltd. was able to achieve inventory turnover much above the yearly industry average in every year during the study period followed by Eicher Motors Ltd.

The data in table 4 further reveals that the Eicher Motors Ltd., the Bajaj Tempo Ltd. and the Swaraj Mazda Ltd. were inefficient by way of failing to achieve the higher inventory turnover ratio when compared to the industry aggregate ratio of 6.66 times. Thus of all the companies the Eicher Motors Ltd. and the Tata Motors Ltd. were above the industry aggregate performance whereas the Eicher Motors Ltd., the Bajaj Tempo Ltd. and the Swaraj Mazda Ltd. were below the industry aggregate.

The average inventory turnover ratios of select companies have been compared using One-way ANOVA and are tested by the following hypothesis. The results are shown in table 5

H_0 : The average inventor turnover ratios of Tata Motors Ltd., Ashok Leyland Ltd., Bajaj Tempo Ltd., Eicher Motors Ltd., and Swaraj Mazda Ltd. do not differ significantly.

Inference: Since $F_{cal} > F_{crit}$ the average inventory holding period of select companies differ significantly.

Inventory Holding Period: The inventory-holding period of Indian Commercial Vehicles Industry is presented in table 6.

The inventory holding period of Indian Commercial Vehicles Industry was the lowest of 40 days in 2008 and the highest of 94 days in 2002 and the aggregate holding period was 69 days. The data in table 6 shows that the Tata Motors Ltd. and the Eicher Motors Ltd. were the only companies to hold raw material for lesser number of days than the yearly industry average holding period during the entire study period. Ashok Leyland Ltd. held its material for more than the yearly industry average holding period in 1999 through 2007. Particularly in 2002 and 2003 the company held its raw material for 130 days and 107 days respectively which were much above the yearly industry average and the overall aggregate holding period of 69 days.

Table 5 (ANOVA)

| Source of Variation | SS | df | MS | F | P-value | F crit |
|---------------------|----------|----|----------|----------|----------|----------|
| Between Groups | 372.3873 | 4 | 93.09682 | 14.92903 | 7.72E-08 | 2.578737 |
| Within Groups | 280.6182 | 45 | 6.23596 | | | |
| Total | 653.0055 | 49 | | | | |

Source: Calculated through MS-Excel software.

Table 6-Inventory Holding Period (days) of Indian Commercial Vehicles Industry

| Year | TML | ALL | BTL | EML | SML | Mean |
|------|-----|-----|-----|-----|-----|-------|
| 1999 | 57 | 76 | 110 | 62 | 74 | 75.80 |
| 2000 | 47 | 73 | 88 | 59 | 87 | 70.80 |
| 2001 | 44 | 87 | 91 | 51 | 124 | 79.40 |
| 2002 | 58 | 130 | 110 | 49 | 122 | 93.80 |
| 2003 | 52 | 107 | 133 | 36 | 110 | 87.60 |
| 2004 | 39 | 67 | 105 | 32 | 64 | 61.40 |
| 2005 | 46 | 74 | 122 | 28 | 61 | 66.20 |
| 2006 | 44 | 85 | 103 | 24 | 58 | 62.80 |
| 2007 | 39 | 66 | 72 | 20 | 56 | 50.60 |
| 2008 | 30 | 47 | 54 | 20 | 49 | 40.00 |
| Mean | 46 | 81 | 99 | 38 | 80 | 68.84 |

Source: www.insight.asiancerc.com (calculated from the figures available in the income statements and balance sheets of the company concerned)

As far as the Bajaj Tempo Ltd. is concerned, the firm held the raw materials in the stores for more than the yearly industry average in every year of study period. Particularly in 1999 and 2002 through 2006 the company held the raw material in its stores above 100 days, which was much higher than the industry aggregate holding period of 69 days. The Swaraj Mazda Ltd. stored its materials for more than the yearly industry average period in 2000 through 2004 and 2006 through 2008. On an aggregate basis the Eicher Motors Ltd. and the Tata Motors Ltd, were highly efficient by holding the materials for lesser period than the overall industry aggregate holding period of 69 days. Whereas the Bajaj Tempo Ltd, the Eicher Motors Ltd, and the Swaraj Mazda Ltd. were inefficient by holding the raw materials for more than industry aggregate holding period of 69 days. The average inventory-holding period of select companies have been compared using one-way ANOVA and are tested by the following hypothesis. The results are shown in table 7.

H_0 : The average inventory-holding period of Tata Motors Ltd., Ashok Leyland Ltd., Bajaj Tempo Ltd., Eicher Motors Ltd., and Swaraj Mazda Ltd. do not differ significantly.

Inference: Since $F_{cal} > F_{crit}$ the average ratio of inventory to sales of select companies differ significantly.

Table: 7 (ANOVA)

| Source of Variation | SS | df | MS | F | P-value | F crit |
|---------------------|----------|----|----------|-----------|----------|----------|
| Between Groups | 26713.72 | 4 | 6678.43 | 15.000227 | 2.28E-08 | 2.578737 |
| Within Groups | 20035 | 45 | 445.2222 | | | |
| Total | 46748.72 | 49 | | | | |

CONCLUSION

As inventories occupy a dominant position, its efficient management will play a vital role in any organization. As it constitutes the highest part of total current assets, its prudent management is of paramount importance in working capital management study reveals that of total inventory raw material constituted the highest part followed part followed by finished goods and work-in-progress across Indian commercial vehicles industry. As far as turnover of inventory was concerned it was only Eicher Motors Ltd, which achieved the highest turnover inventories above the industry aggregate and the rest of the select companies could not achieve the higher turnover ratio above the industry aggregate. The application of one-way ANOVA revealed that main ratios of inventory to sales, the mean inventory turnover ratio and the mean inventory-holding period of all select companies differ significantly.

REFERENCES

- Martin Graass. Control of Working Capital, A Programme of Management Priorities. Gower Press 1975. Pp 75-77.
- Mohan Reddy P. Management of Working Capital. Jaipur: Print Well, (India) 1991, Pp40-44.
- Pandey I.M. Financial Management. (7th Revised Edition) New Delhi: Vikas Publishing House Pvt. Ltd., P123.
- Van Horne J.C. Financial Management and Policy. New Delhi Prentice Hall of India Pvt.Ltd., 1975, P661.
- Weston J F and Brigham E. F. Managerial Finance. Illinois: The Driden Press. 1964, P.88.

IMPACT OF BUDGET ON STOCK PRICES: A STUDY OF NSE

Yogeshwari Phatak*

Shefali Tiwari**

Amitabh Joshi***

ABSTRACT

The Union Budget is perhaps the most-watched event in economic policy making in India. Government uses the Budget as a mechanism for announcing important new policy initiatives, and for outlining some plans for economic policy in the coming months. Similarly, industry sees the budget as an indicator of the government's reform policies and outlook regarding the future. Causal empirical studies reveals that stock market activities tends to be greatly influenced by the Budget. The budget expectations tend to affect sensex due to frantic trading both pre and post budget. The Indian stock market is found to react strongly to new information due to lack of transparency of information leading to a less than efficient market. The present study attempts to study the causal relationship between budget announcements and stock prices it also studies the volatility pre and post budget to establish the efficiency of the stock market namely, NSE.

Key Words: Budget, Sensex, Economic Reforms

INTRODUCTION

Analysis of stock market history helps equity market professionals make informed decisions. They use comparisons between current and past stock market conditions, looking at the factors that give rise to them, to determine the direction of prices. Stock market history shows how events impact and drive stock prices. So in addition to the real-time stock prices, equity market professionals also want news and analysis of the significant developments affecting equities. They look for coverage of all the financial markets, economics and interest rates as well as political and general news. The pioneering event studies by Ball and Brown (1968) and Fama, Fisher, Jensen, and Roll (1969) planted seeds of financial research that continue to flourish decades later. Indeed, Kothari and Warner (2005) report that, "The number of published event studies easily exceeds 500 and continues to grow." Investigations of event study methodology and indeed most financial markets research have traditionally focused on United States securities markets. However, accompanying the increasing availability of international data a rising tide of financial markets research has focused on global financial markets. Despite this upsurge, investigations of event study methodology with non-U.S. securities market data in the genre of papers cited immediately above are essentially non-existent.

Most studies on impact of event on stock prices have focused on holiday effect, end of the week effect, January effect, impact of macro economic factors to name a few. Karmarkar and Chakraborty(2000) studied the Holiday effect in the Indian stock market. They studied the effect by comparing the mean return of pre-holiday, post-holiday, weekday and intra-day holiday. The data used in the study

consisted of the daily closing prices of "The Economic Times Index Numbers of Ordinary Share Prices" for a period of fifteen years from January 1981 to December 1995, compiled and published by The Economic Times on daily basis. The statistics used were mean, standard deviation, t-value. The analytical tool used was F-test. The findings of the study were that the average pre-holiday return is significantly higher than the mean return of other days and that there is substantial good performance of stock prior to eight public holidays.

Maghayereh (2001) studied Causal Relations among Stock Prices and Macroeconomic Variables in the Small, Open Economy of Jordan. The purpose of this study is to investigate the long run relationship between the Jordanian stock prices and selected macroeconomic variables by using Johansen's methodology in cointegration analysis and monthly time series data over for the period from January 1987 to December 2000. The study found that macroeconomic variables are reflected in stock prices in the Jordanian capital market. Such evidence provides an insight to a fundamental link between stock market and real economic activity. The findings of this paper suggest that the stock price index is cointegrated with a set of macroeconomic variables- i.e. exports, foreign reserves, interest rate, inflation, and industrial production- provide a direct long-run equilibrium relation with the stock price index. Additionally, the paper concludes that macroeconomic variables are significant in predicting changes in stock prices. Thus, it can be claimed that stock price variability is fundamentally linked to economic variables, through the change in stock price lags behind those economic activities, and this is consistent with the previous findings in large economies like the U.S. and Japan.

*Director, Prestige Institute of Management and Research, Indore, India

**Professor, Department of Business Management, Shri Raajibhai Gokalbhai Patel Gujarati Professional Institute, Indore, India

***Reader, Department of Business Management, Prestige Institute of Management and Research, Indore, India

Watts (1978), Rendleman et al (1982), Foster et al (1984), Nbernard and Thomas (1989, 1990) found statistically significant abnormal returns after quarterly earnings announcements. A similar study has been done by Rao (1997), on the impact macroeconomic events on stock price during the years 1991 to 1995. He used BSE Sensex as a proxy for the market portfolio. Returns on the market portfolio were examined for possible shifts in mean and variance around the event date t-test was used to test the null hypothesis of no change in mean while an F-test is used to test the null hypothesis of no change in variance. It was found that while budgets were associated with increase in volatility, credit policy announcements did not have any influence. Although, these studies to some extent establish the impact of events on stock market. Not much work has been done on the most important event which directly affects economy, company profits and investor sentiments, namely, budget. However, not much work exists on the impact of budget on stock prices. The present study is an attempt to study the causal relationship between budget announcements and stock prices on the NSE, S&P, NIFTY stock index.

Methodology of the Study

Hypothesis: The study is based on two hypothesis namely

H_{01} There is no significant impact of Budget on stock index

H_{02} There is no difference between the pre and post budget returns

Sample: The study is based on NSE, S&P, CNX Nifty daily closing market prices pre and post budget for a period of six years namely, 2003-2008.

Tools for data collection: The study uses secondary data from the NSE website www.nseindia.com

Data Analysis: The daily closing NSE, S&P, CNX Nifty prices for six years from 2003-2008 is classified into disturbed and undisturbed period prices. Disturbed period is taken to be 45 days pre and post budget announcement and undisturbed periods are 45-90 days prior to budget announcement and 45 days to 90 days post budget announcements. The return on stock prices is calculated for both these periods and is compared using one way Anova to establish whether a causal relationship exists between budget and stock prices. The study also classifies the daily closing NSE, S&P, CNX Nifty prices for six years from 2003-2008 into prices 90 days pre budget and 90 days post budget prices and standard deviation and z- test are used to study whether the volatility differ pre and post budget to establish market efficiency.

RESULTS

The study tested two hypothesis

Hypthesis-1

The results show that the hypothesis stand rejected i.e. there is a causal impact of budget on stock prices as the F value was found to significant at .05 level of significance. The return on daily stock prices of NSE S&P CNX NIFTY during

disturbed and undisturbed period were compared using one way ANOVA to test the impact of budget on stock index for a period of 2003-2008 which covered 6 budget announcements. The return were calculated using the formula

$$R = \log(t/t-1) * 100$$

Where t was the closing stock price on a particular day and t-1 was the closing stock price prior to that day.

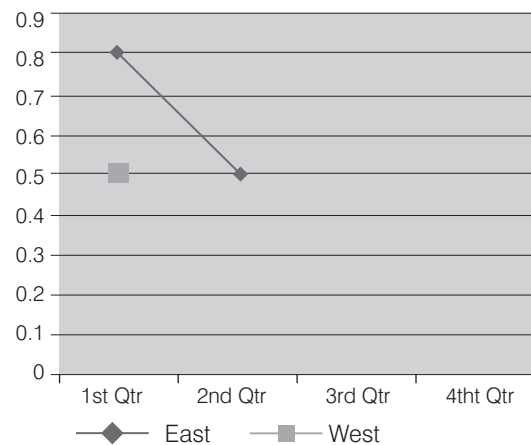
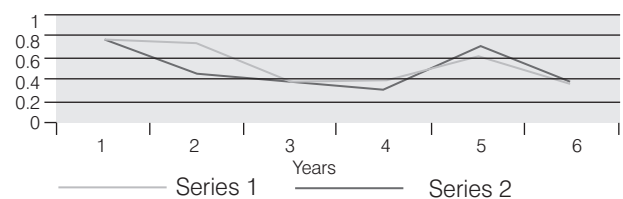
The F ratio was calculated and found to be 7.2 which was found to be significant at .05 level of significance. (Table – 1)

Table 1: Showing Returns of disturbed and undisturbed period

| Year | Return of undisturbed period | Return of disturbed period | F Value |
|------|------------------------------|----------------------------|---------|
| 2003 | 0.768768 | 0.776391 | 7.2 * |
| 2004 | 0.462643 | 0.723416 | |
| 2005 | 0.405872 | 0.372599 | |
| 2006 | 0.306100 | 0.391647 | |
| 2007 | 0.698509 | 0.621092 | |
| 2008 | 0.370948 | 0.363568 | |

* Significant at .05 level of significance.

Figure 1 : Return on NSE in Disturbed and Undisturbed Period



Hypothesis-2

The results show that the hypothesis stand rejected i.e. there is a significant difference between pre and post budget returns as Z value was found to be significant at .05 level of significance.

The average return on daily stock prices of NSE S&P CNX NIFTY during pre and post budget announcement was compared using Z test to test whether the returns differed significantly from each other. The returns were calculated on stock index prices for a period of 2003-2008 which covered 6 budget announcements. The average returns for each year were calculated for pre and post budget period and Z was

administered to individual year wise average returns as well as between average returns for pre and post budget period for all the six years.

The Z ratio was calculated for the average returns for pre and post budget period for all the six years and was found to be 3.14 which was significant at .05 level of significance. (Table2)

| | Average Return | | Standard Deviation | | Z Values |
|---------|----------------|------------|--------------------|------------|--------------|
| | Pre | Post | Pre | Post | |
| 2003 | 0.65382295 | 0.926114 | 0.57274929 | 0.718888 | -2.31371706* |
| 2004 | 0.4790723 | 0.693173 | 0.36734846 | 0.637771 | -2.29053387* |
| 2005 | 0.39453212 | 0.39949 | 0.35528405 | 0.343182 | -0.07902303 |
| 2006 | 0.589892 | 0.73186841 | 0.21304703 | 0.296479 | -1.96094725* |
| 2007 | 0.589892 | 0.73186841 | 0.318109 | 0.26929722 | -1.06192 |
| 2008 | 0.36154 | 0.37312915 | 0.318109 | 0.26929722 | -0.21893 |
| Average | 0.46274645 | 0.585189 | 0.41047001 | 0.626584 | -3.14425198* |

Table 2: Z Values of Pre and Post Budget Returns
 *Significant at .05 level of significance.

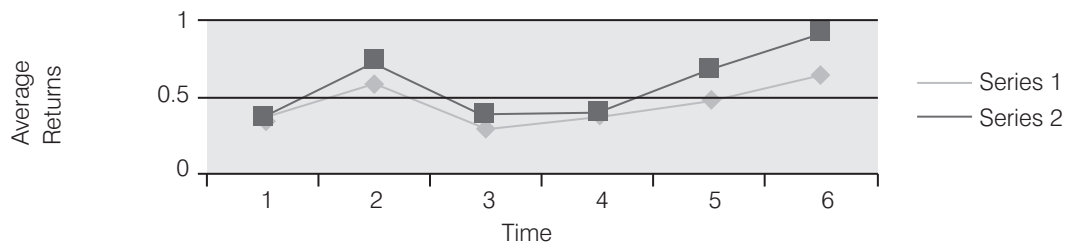


Figure 2 Average Returns Pre and Post Budget

DISCUSSION

The findings reveal that a causal relationship exists between budget announcements and stock prices. This is not surprising as the budget is seen as an indicator of the government policies for the next financial year and as these policies have a significant impact on all industries which constitute the sensex there is bound to be some impact of announcements on the stock prices. This is further supported by past research which shows that causal relationship exist between events and stock prices.

In their seminal study of stock price reaction to stock splits, Fama et al (1969) found that there was considerable, market reaction prior to the stock split announcement. May (1971), Brown and Kennely (1972), and Jordan (1973) studied the behavior of security prices by taking quarterly earnings as the event and found that results were consistent with the semi strong form of EMH. Ball and Brown (1969), Beaver (1968), Beaver et al (1980) examined the magnitude of price changes surrounding the announcement of firms annual earnings. Their results showed that the causal reaction existed and the reaction occurred quickly and therefore, the EMH in the semi strong form holds good. Kormendi and Lipe

(1987), and Easton and Zmijewski (1989) found evidence consistent with stock prices reflecting cross sectional differences in the time series behavior of earnings.

The results further show that the Indian stock markets are weak form efficient as there exists a significant difference between average returns of pre and post budget prices. According to Fama, Efficient Market Hypothesis means that security prices reflect all available information. The EMH postulates that there exist no pattern in the returns and hence no investor can make abnormal returns by forming trading strategy. An 'efficient' market is defined as a market where there are large numbers of rational, profit-maximizers actively competing, with each trying to predict future market values of individual securities, and where important current information is almost freely available to all participants. In an efficient market, competition among the many intelligent participants leads to a situation where, at any point in time, actual prices of individual securities already reflect the effects of information based both on events that have already occurred and on events which, as of now, the market expects to take place in the future.



According to Fama, 1965 "Market efficiency is a description of how prices in competitive markets respond to new information. When new information reaches a competitive market there is much turmoil as investors buy and sell securities in response to the news, causing prices to change. Once prices adjust, nothing but worthless information remains and no further study of old information will yield any more valuable intelligence." In the Indian market that is essentially characterized by a large number of rational and profit seeking investors who compete with one another freely, the prices should reflect all the available and expected information. If the Indian market is efficient it must rapidly absorb new information and adjusts the prices swiftly. However this is not observed in the study.

Thus, researchers have used the causal effect to establish the impact of an event on stock prices and also the level of efficiency of the stock market by studying the speed with which the event information was absorbed by the market. Once the information was absorbed the market prices and thus returns must stabilize. However the present study has shown that the budget not only impacts the level of stock prices but the volatility of prices and therefore returns continue to be seen even 90 days after the budget announcement thus, proving that the market is weak form efficient.

These findings are supported by Basu (1977) who tested the predictive content of price earnings multiples and concluded that the results proved a weak form efficient market. Obaidullah (1990) examined the market reaction to half yearly earnings announcements and found that semi strong form of EMH could not be accepted. Chaturvedi (2000a) found that low P/E stocks outperformed the high P/E ones and concluded that the market is inefficient. Chaturvedi (2000b) studied that the behavior of stock returns surrounding the announcement of half yearly earnings. His results showed that abnormal returns were present both during the pre and post earnings announcement period thus showing that the market was weak form efficient. Mohanty (2002) found that companies which announced buyback yielded excess returns even three months after the announcements dates. This shows existence of the weak form efficiency of the Indian stock market. Kaur (2004), studied time varying volatility in the Indian stock market. He investigated the nature and characteristics of stock market volatility in India. The study was conducted on two domestic market indices, viz., Sensex and Nifty, and S&P500 and NASDAQ for a time period January 1993 through March 2003. The "day of the week effect" or the "weekend effect" and the "January effect" are not present while the return and volatility do show intra-week and intra-year seasonality. Thus proving that the market is weak form efficient.

Nath (2005) in a study of the BSE sensex for the last 11 years pre and post budget found that more often than not the market goes up prior to budget only to lose ground after it. He found that the Sensex gained one month prior to the budget

on 8 out of the past 11 occasions. However, one month after the budget, the Sensex lost ground on 8 out of the 11 occasions. The ratio of gaining and losing is 4:7 for the week before the budget and 5:6 for the week after the budget. Traditionally, the market rises a month before the budget on high expectations about growth-centric policies. A week before the budget, players start getting jittery and avoid large-scale long positions. However, more often than not, the market falls significantly after the budget, as the Government invariably fails to meet all market expectations. Thus, showing that budget significantly impacts market prices however, the investors are unable to instantaneously discount new information and thus the stock market is weak form efficient.

CONCLUSION

The study shows that the budget has a significant impact on stock market prices and that the Indian stock market is weak form efficient. This has important implication for the finance ministry at large and the finance minister in particular as any information or policy announced in the budget which is contrary to economic and industrial growth and investor expectations can send the stock market into a tail spin. This is more important as the investors do not instantaneously respond to information and the news takes time to be absorbed by the market thereby increasing the number of days that the market stands affected post the budgetary announcement. The increased level of FII in India also makes it necessary to ensure that the budget is well thought out in all its dimensions including market reaction besides being a tool for implementing government policies.

REFERENCES

- Ball, R., and Brown, P. (1968). An empirical evaluation of accounting income numbers. *Journal of Accounting Research* 6, 159-178.
- Basu, S. (1977). Investment performance of common stocks in relation to their price earning ratio: A test of efficient market hypothesis, *Journal of Finance* 32, 663-682.
- Beaver, W. (1968). The information content of annual earnings announcements empirical research in accounting; selected studies, *Supplement to Journal of Accounting Research* 6, 67-92.
- Beaver, W., Lambert, R. and Morse, D. (1980). The information content of security prices, *Journal of accounting and economics* 2, 3-28.
- Bernard, V. and Thomas, J.K. (1989). Post earnings announcement drift: delayed price response or risk premium?, *Journal of Accounting Research*, 27, 1-36.
- Bernard, V. and Thomas, J.K. (1990), Evidence that stock prices do not fully reflect the current earnings for future earnings, *Journal of Accounting Economics*, 45, 403-415.
- Brown, P. and Kennelly, J.W. (1972). The information contents

of quarterly earnings: an extension and some further evidence, *Journal of Business*, 45, 403-415.

Chaturvedi, O. (2000a). Anomalies based on P/E ratios: empirical evidence from the Indian stock market, *ICFAI Journal of Applied Finance* 6, 1-13.

Chaturvedi, O. (2000b). Empirical anomalies based on unexpected earnings: the Indian experience, *ICFAI Journal of Applied Finance*, 6, 52-64.

Easton, P. and Zmijewski M.E. (1989). Cross sectional variation in the stock market response to accounting earnings announcement, *Journal of Accounting and Economics*, 12, 117-141.

Fama E, (reprinted January-February 1995). Random walks in stock market prices, *Financial Analysts Journal*, September/October 1965.

Fama, E., Fisher, L., Jensen, M. and Roll, R. (1969) The adjustment of stock prices to new information, *International Economic Review*, 20, 1-21.

Foster, G., Olsen, and Shevlin, T. (1984), Earnings releases, anomalies and the behavior of security returns, *Accounting Review*, 59, 574-603.

Jordan, J. (1973), An empirical investigation of the adjustment of stock prices to new quarterly earnings information, *Journal of Financial and Quantities Analysis*, 8, 609-620.

Khotari, S.P. and Warner, J.B. (2005). Econometrics of event studies. Chapter 1 in *Handbook of Corporate Finance: Empirical Corporate Finance*, B. Espen Eckbo (ed.), Elsevier/North Holland

Kormndi, R. and Lipe, R. (1987). Earnings innovations, earnings persistence and stock returns, *Journal of Business*, 60, 323-345.

Mohanty, P. (2002). Who gains in share buyback? *ICFAI Journal of Applied Finance*, 8, 19-30.

Obaidullah, M. (1990), The stock price adjustments to half yearly earnings announcements – a test of market efficiency, *Chartered Accountants*, 38, 922-924.

Rendleman, R.J., Jones C.P. and Latane H.A. (1982), Empirical anomalies based on unexpected earnings and the importance of risk adjustments, *Journal of Financial Economics*, 10, 269-287.

Robert, C., Analysis for Financial Management (3rd edition 1992) Irwin, Macgraw Hill Sambhu Nath, (2005, February 16). Sensex rises to fall! *Budget times*.

Srinivasan, R. (1997). Security prices behavior associated with right issue related events, *ICFAI Journal of Applied Finance* 3, 50-62.

Watts Ross, L. (1978), Systematic abnormal returns after quarterly earnings announcement, *Journal of Financial Economics*, 6, 95-101.



THE ROLE OF PSYCHOLOGICAL CONTRACT IN RETENTION MANAGEMENT

Kamran Sultan*

Babita Agarwal**

ABSTRACT

Today's growing "war for talent" is making it more and more difficult for organizations to keep current employees and to find qualified replacements. This study examines the challenges that organizations face with employee retention in an increasingly competitive labor market. This article examines employees' views on the factors affecting employee retention. This is done by integrating findings from the literature on retention management with the theoretical framework of the psychological contract. In this study, respondents from a diverse group of private organizations described the factors they believed to affect employee retention and the retention practices set up in their organization. Employees were asked to report on the importance attached to four types of employer inducements commonly regarded as retention factors. They also evaluated their employers' delivery of these inducements and provided information on their loyalty; intentions to stay and job search behaviors. The results of the study are discussed and implications for HR managers are highlighted.

Key Words: Retention, Loyalty, HR Factor, Contract

INTRODUCTION

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 has been changed dramatically. Due to on-going evolutions towards international competition 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). Often, however, exactly these employees are difficult to retain due to their tendency to attach more importance to marking out their own career path than to organizational loyalty; a tendency which results in increased rates of voluntary turnover (Cappelli, 2001). Within the HRM literature, 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). Another concept that has gained interest as a construct relevant for understanding and managing contemporary employment relationships is the psychological contract, which refers to employees' subjective interpretations and evaluations of their deal with the organization (Rousseau, 1996; 2001; Turnley & Feldman, 1998). Researchers in this field argue that in order for retention management to be effective, the creation of an

optimal portfolio of HR practices is not sufficient and that it is important to manage employees' expectations relating to these practices. Only in this way HR managers can be confident to create a deal that is mutually understood by both the organization and its employees (Rousseau, 1996).

HR Factors Affecting Employee Retention

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 on to 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 four major categories of retention factors, namely (1) financial incentives, (2) career development opportunities, (3) job content, (4) social atmosphere, and 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 inter individual variability in the importance of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999). For instance, a

*Director, Pt. Jawahar Lal Nehru Institute of Business Management, Vikram University, Ujjain, India

**Reader, Shri Vaishnav Institute of Management, Gumasta Nagar, Indore, India

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. 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 (Cappelli, 2001; Mitchell et al., 2001; Woodruffe, 1999). For instance, in a recent study

Horwitz et al. (2003) found that the most popular retention strategies reported by HR managers of knowledge firms still related to compensation.

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). 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 (Roehling et al., 2000). For instance, in a recent study Allen, Shore & Griffeth (2003) found that employees' perceptions of growth opportunities offered by their employer reduced turnover intentions. Steel et al. (2002) also report empirical data showing that lack of training and promotional opportunities were the most frequently cited reason for high-performers to leave the company.

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 (Steel et al., 2002). The social atmosphere, i.e. the work environment and the social ties within this environment, is the fourth retention factor considered by many researchers. Cappelli (2001) states that loyalty to the organization is a thing of the past, but that loyalty to one's colleagues acts as an effective means of retention. When an employee decides to leave the organization, this also means the loss of a social network. Some research suggests that social contacts between colleagues and department are an important factor for retaining talent. Organizations can contribute to the creation of a positive social atmosphere by stimulating interaction and mutual

cooperation among colleagues and through open and honest communication between management and employees (Roehling et al., 2000).

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).

Impact of the Psychological Contract on Employee Retention

Many researchers argue that the psychological contract plays an important role in helping to define and understand the contemporary employment relationship (Rousseau, 2001; Shore & Coyle-Shapiro, 2003; Turnley & Feldman, 1998). Psychological contracts consist of individuals' beliefs regarding the terms and conditions of the exchange agreement between themselves and their organizations (Rousseau, 1996). They emerge when individuals believe that their organization has promised to provide them with certain inducements in return for the contributions they make to the organization (Turnley & Feldman, 2000). The growing body of literature on the psychological contract reflects accumulating evidence for its influence on diverse work-related outcomes. These studies show that employees evaluate the inducements they receive from their organization in view of previously made promises and that this evaluation leads to a feeling of psychological contract fulfillment or breach (Turnley & Feldman, 1998). In turn, a feeling of contract breach has a negative impact on employees' willingness to contribute to the organization and on their intentions to stay with the organization (e.g. Coyle-Shapiro, 2002; Robinson, 1996; Robinson, Kraatz & Rousseau; Turnley & Feldman, 1998; 2000). Other studies have found a positive correlation with actual turnover (e.g. Guzzo, Noonan & Elron, 1994; Robinson, 1996). Together these results suggest that the psychological contract is a construct of both scientific and practical importance and that it is especially relevant for HR managers concerned with the retention of their employees. Existing research indicates that employees are rather pessimistic about the extent to which their organization lives up to its promises. For example, Turnley & Feldman (1998) found that approximately twenty-five percent of their sample of employees felt that they had received less (or much less) than they had been promised.



This was most strongly the case for promises relating to job security, amount of input into important decisions, opportunities for advancement, health care benefits, and responsibility and power. Robinson et al. (1994) found that fifty-five percent of their sample reported contract violations by their employer two years after organizational entry. Together, this empirical work demonstrates that psychological contract violation is relatively common and that this could explain the difficulties organizations are currently experiencing in retaining their employees. Since the psychological contract encompasses employees' subjective interpretations and evaluations of their employment deal, the retention factors discussed in the practitioner and scientific literature will only turn out to be effective for employee retention if they are in line with employees' subjective views and expectations.

OBJECTIVES OF THE STUDY

The factors which are important for retaining talents in organization such as opportunities for promotion, the development of the people and to create a positive social atmosphere by stimulating interaction and mutual cooperation among the employees.

RESEARCH METHODOLOGY

Design And Sample of The Present Study

The sample of the present study consisted of N=80 employees from Private Organizations. Simple random technique was used for data collection. The research was carried out through survey method with the help of self-developed structured, non-disguised questionnaire. It consisted of statements based on 5 point Likert scale. Employees were asked to give their opinion for the questions given in the questionnaire. This evaluation was related to employees' loyalty, their intentions to leave the company and their job search behaviors.

The 25 variables of the questionnaire, refer to five retention factors discussed in the theoretical part of this paper: financial rewards (e.g. "an attractive pay and benefits package"), career development (e.g. "opportunities for promotion"), job content (e.g. "a job with responsibilities"), social atmosphere (e.g. "good mutual cooperation") and work-life balance (e.g. "respect for your personal situation"). Each dimension was assessed by five items.

DATA ANALYSIS

Data analysis has been done using mean score and SD

Results and Discussions

| Variables | Mean Score | S.D |
|---------------------------------------|------------|-----|
| Social atmosphere & work life balance | 3.9 | 5.2 |
| Career development | 2.9 | 7.2 |
| Job content | 2.7 | 3.8 |
| Financial rewards | 2.2 | 4.2 |

Results show that the employees attach most importance to employer inducements relating to the social atmosphere and work life balance (mean score 3.9, SD 5.2), followed by career development (mean score 2.9 , SD 7.2), and job content (mean score 2.7, SD 3.8). They attach relatively less importance to financial rewards (mean score 2.2 , SD 4.2), With respect to the fulfillment of employer promises relating to each of these inducements, employees are most positive about the fulfillment of promises to their job content and the social atmosphere. And about financial rewards are perceived to be least fulfilled. Earlier studies have depicted that both practitioners and researchers in the field of retention management agree that creating a retention policy that works is not an easy task. One of the first and necessary steps in working out a retention policy for HR is to assess the retention factors which are important to their workforce (Steel et al., 2002). The collection of targeted data on reasons for quitting and staying, segmented by employee groups (e.g. male versus female, blue collar versus white collar) is an important means for obtaining this information. For example, while social atmosphere is mentioned as a major reason for staying, it is not considered to be an important reason for voluntary turnover. Inversely, inducements relating to work-life balance are cited as a reason for voluntary turnover but not as a reason for staying.

In general, it appears that retention practices are more focused on the factors which are believed to cause employee turnover rather than on those believed to affect employee retention. This focuses on career opportunities and financial inducements. Although compensation matters, employees are more concerned with the level of fulfillment they get from their jobs. They also feel that working with an understanding supervisor or manager in a cooperative and trusting work environment is important. Organizations should focus on making sure that the people they hire are a good match for the job and the work culture. The evaluation of promises about career opportunities appears to be most predictive of employees' intentions to leave and of their job search behaviors and they are also strongly predictive of employee loyalty. This finding is in line with HR managers' views that career development is an important factor affecting both voluntary employee turnover and retention and it supports their efforts to work out retention policies focusing on career development. An employee's relationship with his or her supervisor or manager and work-life balance are the most important determinants for staying with an organization. Senior leaders should be encouraged to succession plan which is another tool to motivate employees to keep developing. Management teams need to be educated in succession planning concepts and can be motivated by having succession planning included as a performance criterion. Failure to develop successors may prevent them achieving higher career objectives themselves. Employers need to anticipate what their expectations will be of employees in the future to ensure that they create a realistic job description. Organizations must also focus on

employee engagement to ensure that their workforce is committed to the long-term success of their organization and want to stay with the organization to honor this commitment. Engaged employees will also act as ambassadors and produce better results.

Managerial Implications

Why an employee stays in the organization is a strategic issue for HR managers as well as a major concern for the individual. Having insight into those factors is most important in determining employee retention is important for HR managers in order to work out retention policies and practices that are effective both at the individual and the organizational level. Taken together, the results of our employee survey indicate that career development is the most important retention factor since offering good opportunities for career development not only prevents employees from leaving the company, but it also contributes in a positive way to their loyalty to the firm. If we assume that the aim of retention policies is not only to retain employees but also to retain employees who are loyal and committed, then HR managers must also put more efforts in retention policies relating to the social atmosphere and to job content. Both factors are important predictors of employee loyalty and they also significantly prevent employees from leaving their organization. On the other hand, the results relating to work-life balance and financial rewards, the two factors that can be considered more as extrinsic rather than intrinsic rewards, suggest that retention policies focusing only on these factors might be little effective. Employees' evaluations of organizational inducements about work-life balance consistently have no significant impact on their loyalty, intentions to stay or job search behaviors and thus should not be considered as important retention factors. The main message we derive from this study is that HR managers should better take into account what their employees value and how they evaluate their organization's efforts towards retention management if they are to contribute in a cost-efficient way to the strategic objectives of the organization. The psychological contract hereby provides a practically useful framework to manage employees' expectations and to engage in an open process of communication and negotiation about the employment deal (Herriot & Pemberton, 1996). If HR managers are to be effective in their retention management this means that they should take into account this subjectivity instead of departing from generally agreed-upon views on what's important to employees in general. This, in turn, should contribute to their role in the company as a strategic partner given that the attraction and retention of talented employees will stay an important factor of competitive advantage for organizations, both in times of economic downturn and upheaval.

REFERENCES

Allen, D. G., Shore, L. M., & Griffeth, R. W. (2003). The role of perceived organizational support and supportive human

resource practices in the turnover process. *Journal of Management*, 29(1), 99-118.

Anderson, S. E., Coffey, B. S., & Byerly, R. T. (2002). Formal organizational initiatives and formal workplace practices: Links to work-family conflict and job-related outcomes. *Journal of Management*, 28(6), 787-810.

Bevan S., 1997, Quit stalling, *People Management*, November, 32-35.

Bluedorn, A. C. (1982). A unified model of turnover from organizations. *Human Relations*, 35(2), 135-153.

Boroff, K.E., & Lewin, D. (1997). Loyalty, voice, and intent to exit a union firm: A conceptual and empirical analyses. *Industrial and Labor Relations Review*, 51(1), 50-63.

Butler, T. en Waldroop, J. (2001). Job sculpting: The art of retaining your best people. *Harvard Business Review on finding and keeping the best people* (pp. 179-203). Boston: Harvard Business School Press.

Cappelli, P. (2001). A market-driven approach to retaining talent. *Harvard Business Review on finding and keeping the best people* (pp. 27-50). Boston: Harvard Business School Press.

Coyle-Shapiro, J. A.-M. (2002). A psychological contract perspective on organizational citizenship behavior. *Journal of Organizational Behavior*, 23(8), 927-946.

De Vos, A. (2002). The individual antecedents and the development of newcomers' psychological contracts during the socialization process: A longitudinal study. Doctoral dissertation, Faculty of Economics and Business Administration, Ghent University.

De Vos, A., & Buelens, M. (2004). Differences between private and public sector employees' psychological contracts. Manuscript under review.

De Vos, A., Buyens, D., & Schalk, R. (2003). Psychological contract development during organizational socialization: Adaptation to reality and the role of reciprocity. *Journal of Organizational Behavior*, 24(5), 537-599.

Guzzo, R. A., Noonan, K. A., & Elron, E. (1994). Expatriate managers and the psychological contract. *Journal of Applied Psychology*, 79(4), 617-626.

Hall, D. T., & Moss, J. E. (1998). The new protean career contract: Helping organizations and employees adapt. *Organizational Dynamics*, 26(3), 22-37.

Herriot, P., & Pemberton, C. (1996). Contracting careers. *Human Relations*, 49(6), 757-790.

Horwitz, F. M., Heng, C. T., & Quazi, H. A. (2003). Finders, keepers? Attracting, motivating and retaining knowledge workers. *Human Resource Management Journal*, 13(4), 23-44.

Hsu, M. K., Jiang, J. J., Klein, G., & Tang, Z. (2003). Perceived career incentives and intent to leave. *Information & Management*, 40, 361-369.



Johnson M., 2000, *Winning the people wars, talent and the battle for human capital*. London, UK: Copyright Licensing Agency.

King, J. E. (2000). White-collar reactions to job insecurity and the role of the psychological contract: Implications for human resource management. *Human Resource Management*, 39(1), 79-92.

Kopelman, R. E., Rovenpor, J. L., & Millsap, R. E. (1992). Rationale and construct validity evidence for the Job Search Behavior Index: Because intentions (and New Year's resolutions) often come to naught. *Journal of Vocational Behavior*, 40, 269-287.

Kossek, E. E., & Ozeki, C. (1998). Work-family conflict, policies, and the job-life satisfaction relationship: A review and directions for organizational behavior – human resources research. *Journal of Applied Psychology*, 83, 139-149.

Mitchell, T. R., Holtom, B.C., & Lee, T. W. (2001). How to keep your best employees developing an effective retention policy. *Academy of Management Executive*, 15(4), 96-109.

Pfeffer J., 1998, six myths about pay, *Harvard Business Review*, May-June, 38-57.

Robinson, S. L. (1996). Trust and breach of the psychological contract. *Administrative Science Quarterly*, 41, 574-599.

Robinson, S. L., Kraatz, M. S., & Rousseau, D. M. (1994). Changing obligations and the psychological contract: A longitudinal study. *Academy of Management Journal*, 37(1), 137-152.

Roehling, M. V., Cavanaugh, M. A., Moynihan, L. M., & Boswell, W. (2000). The nature of the new employment relationship: A content analysis of the practitioner and academic literatures. *Human Resource Management*, 39(4), 305-320.

Rousseau, D. M. (1996). Changing the deal while keeping the people. *Academy of Management Executive*, 10(1), 50-58.

Rousseau, D. M. (2001). The idiosyncratic deal: Flexibility versus fairness? *Organizational Dynamics*, 29(4), 260-273.

Shore, L. M., & Coyle-Shapiro, J. A.-M. (2003). Editorial. New developments in the employee-organization relationship. *Journal of Organizational Behavior*, 24, 443-450.

Steel, R. P., Griffeth, R. W., & Hom, P. W. (2002). Practical retention policy for the practical manager. *Academy of Management Executive*, 18(2), 149-169.

Turnley, W. H., & Feldman, D. C. (1998). Psychological contract violation during corporate restructuring. *Human Resource Management*, 37(1), 71-83.

Turnley, W. H., & Feldman, D. C. (2000). Re-examining the effects of psychological contract

RISING DEBT VERSUS RISING INCOME: AN EMPIRICAL STUDY OF INDIAN COMPANIES

Shailesh Rastogi*

Vinay K. Srivastava**

ABSTRACT

A concern was mooted when a ripple effect of financial depression in the west made its presence felt in the east too. The concern was regarding higher debt proportion present in the balance sheets of Indian companies. Falling income made this situation a cause of concern keeping in view the rising examples of insolvency in USA and Europe. This study examines the impact of debt proportion in the capital structure and its impact on revenue and net profit in India for the period 1993-2008. It was found in the study that though, debt was increasing fast but revenue of Indian corporate was growing faster and net profit was growing fastest.

Key Words: Index Number, Leverage, Mann-Whitney Test

INTRODUCTION

The year 2007-08 was the year of euphoria when corporate in India went ahead blindly in a mad rush to fructify their capital expenditure plans. Some went ahead with acquisition, some piled up inventory in fear of increase in price and some enhanced their working capital investments to cater to rising demand. In haste companies put fiscal prudence at the back burner seeing the high growth opportunity round the corner. The main source of incremental financing was debt (Table-1). It was evident that much of these loans were taken at a higher rate of interest as firms' collective interest outgo rose by 45.7 % (Dubey, 2009). Additional financing options also remain less due to credit squeeze in the debt market and lackluster response of equity market. An analysis done by Dubey (2009) of 6672 companies show that their revenues rose by 27.6 % in 2007-08 over 2006-07, net profit rose by 26.7 % but the loan intake increased by 31.4 %.

| Company | FY 2007 Loans Taken | FY 2008 Loans Taken | Growth % |
|-------------------------------|---------------------------|---------------------------|-------------|
| ICICI Bank | 82,881 | 1,06,974 | 29.1 |
| State Bank of India | 70,858 | 97,693 | 37.9 |
| HDFC | 58,575 | 70,897 | 21.0 |
| Tata Steel | 25,090 | 53,610 | 113.7 |
| Reliance Industries | 33,651 | 52,378 | 55.6 |
| IDBI Bank | 49,576 | 45,361 | -8.5 |
| Power Finance Corp. | 34,816 | 41,735 | 19.9 |
| Indian Oil Corporation | 29,473 | 38,819 | 31.7 |
| Rural Electrification Corp. | 30,281 | 34,283 | 13.2 |
| Nabard | 32,064 | 33,500 | 4.5 |
| Hindalco Industries | 8,443 | 32,492 | 284.8 |
| NTPC | 27,020 | 30,315 | 12.2 |
| Export-Import Bank of India | 21,662 | 29,326 | 35.4 |
| Reliance Communication | 17,438 | 25,822 | 48.1 |
| Indian Railways Finance Corp. | 21,794 | 24,099 | 10.6 |

Source: CMIE Prowess

*Assistant Professor, Jaipuria Institute of Management, Jaipur, INDIA

**Assistant Professor, Department of Management, RKGIT, Ghaziabad, INDIA

This study has been done to empirically look into the matter whether it was just a chance in the year 2008-09 or it was a trend that debt intake has been increasing at a faster pace than the revenue and net profit. The issue of debt financing is strongly correlated with the future prospects of the economy. When future is bright, this leverage provides companies with rich dividends whereas this leverage becomes the biggest problem when sales choke up. Levered companies face more challenges in servicing the debt when the sale of the firm falls down. The funds get locked up in either inventories or receivables.

Literature Review

The research in this field suggests that there is strong linkage between economic development and leverage; leverage and corporate financial crisis (Rajan and Zingales, 1995). Empirical research shows that corporate leverage driven by aggressive foreign borrowing can be significant indicators of the probability of a crisis (David and Stone, 2004). The consistent increase of financial flows to developing countries depends heavily on the health of the corporate sector, which has recently been at the centre of several financial crises. Total corporate debt of developing countries of the East Asia and Pacific region grew at a compound annual average of 16% over the period 1990-1997 swelling from \$700 billion to \$ 2.4 trillion (World Bank, 2001). Emerging market firms which are unable to obtain long-term funding locally, faces a trade-off between financing long-term investments with short-term local currency liabilities (which creates a maturity mismatch) or borrowing long-term in foreign currency (which create a currency mismatch) (Ghosh, 2008).

The relevance of this study on this topic is mainly due to unique condition of the US economy which has been of more credit, more consumption and no savings based economy. This has been endorsed by many studies e.g. Friedman (1992). In his study Friedman found that the heavy debt



burden created by the wave of corporate speculation in the 1980s sharply squeezes US economy's prospects in the 1990s. USA needed financial resources for more investment in new factories, new machinery, new research, new infrastructure, and a better educated workforce. But on the contrary USA kept on spending borrowed funds on current consumption for pretty long period. Osler and Hong (2000) found that US corporate debt has grown rapidly in 1990s. In 1995-1999 the outstanding debt of non-financial corporations rose a hefty 46% as compared to previous period of 12%.

Henry Kaufman (Kaufman, 1986) had been particularly consistent in warning about the dangers of excessive debt in household and in the Government sector as well as in corporations. The debate on the relevance of the capital structure which was initiated by Modigliani and Miller (1958) is still debatable issue and being studied by many (Ozkan, 2001 and Gonenc, 2003). An empirical study examines the capital structure of selected quoted companies in Nigeria between 1990 and 2004, found in their study that the leverage is negatively correlated with profitability (Oyesola, 2007).

Rising debt level places companies at risk. As soon as company runs into trouble, the balance of power shifts dramatically in favor of those holding its debt rather than its equity. Adding to this it was evident that many investors were aiming to take hold of a company by purchasing its debt rather than its equity (Neveling, 2005). It was conducted from empirical evidence and from economic theory that under certain conditions rising debt and income ratio may indeed be a cause of concern. In the case of private sector such concern arises from increased risk of default, and in public sector from higher interest rates and the need for higher taxes (Davis, 1987). But companies confront another type of issue. The problem is how to find whether a company has crossed the acceptable limit of debt. Altman (1968) has suggested using simple measures, the ratios to find this in its nascent stage. Ratios could be good indicator of the corporate performance and rising debt conditions.

There are dearths of research on this topic on developing economies including India because of the good growth conditions present in the last decade. Before that the economies were either closed or there were lack of capital per se, not to mention debt or equity capital financing. The high growth situations make the issue of high leverage a better option. But the same situation of high leverage, while growth is relatively low becomes a case of serious pondering especially in the long run. The combination of high growth with high deficit (fiscal) for such a long period without a major economic crisis is unique among large emerging nations (Pang, Pinto and Wes, 2007). But things are not same in case of developing economies.

Objective of the Study

i) To verify whether the rising debt is increasing at a faster rate than the income of the companies in India.

ii) To verify whether the rising debt is increasing at a faster rate than the profit (net profit) of the companies in India.

Hypothesis

Following are the hypothesis of the present study.

Hypothesis 1

H₀: There is no difference in the growth rate of debt intake and growth rate of revenue or $\mu_d = \mu_i$

H₁: the growth rate of both debt and revenue are significantly different or $\mu_d \neq \mu_i$

Hypothesis 2

H₀: There is no difference in the growth rate of debt intake and growth rate of net profit or $\mu_d = \mu_p$

H₁: the growth rate of both debt and net profit are significantly different or $\mu_d \neq \mu_p$

Where

μ_d is the mean growth rate of Debt

μ_i is the mean growth rate of Revenue

μ_p is the mean growth rate of Net Profit

METHODOLOGY

To measure the change in the debt levels, income levels (sales) and profit levels of different companies of India, index numbers have been deployed in this study. To measure such issues index numbers is an appropriate application. To construct the index number of debt, revenue and net profit data of 200 companies have been used. The sample should be the representative of the population; therefore the companies used in the construction of index numbers are BSE 200 companies (an index number being made and managed by Bombay Stock Exchange, Mumbai). The year 1993 has been made the base year. The value of the index number in base year for all the three index numbers (debt, revenue and net profit) has been taken as 100. The index number for all the three items has been made for sixteen years period (1993-2008). The method used in the construction is Laspeyre's weighted index number method. Laspeyre's method is used because of the simplicity and appropriateness for the purpose. To assign weights, 'total assets' of the companies have been used. Except 'total asset' no other item is appropriate enough to present the differentiating features of the companies for the purpose of construction of weighted index number of debt, revenue and net profit. The formula for the construction of the index number in Laspeyre's method is as follows.

$$IndexNumber = \sum \frac{P_n Q_0}{P_0 Q_0}$$

Where

P_n = Value in the Current Year

P_0 = Value in the Base Year

Q_0 = weights of the base Year

In this study the purpose is to compare the change in debt, revenue and net profit levels of Indian companies. Therefore, having constructed the index number (Table-2), the change (growth rate) in levels of index number of debt, revenue and net profit have been calculated (Table-3). To verify the claims articulated in hypothesis one and two, paired sample t-test has been used on growth rates of debt and revenue and growth rates of debt and net profit for testing the hypothesis one and two respectively. The growth rate data of all the three items is for 15 periods and standard deviation of the population distribution of growth rate of debt, revenue and net profit are not known; therefore using paired sample t-test is an appropriate test for significance testing with the normality assumption of the distribution. Because we have assumed the normality of the distribution in the application of paired sample t-test in testing both the hypothesis (hypothesis one and two), we have incorporated one non-parametric test (Mann-Whitney Test) for the situation of deviation from the normality assumption. The Mann-Whitney test accomplishes what a t-test does when the distribution of the two samples deviate significantly from normal.

The data has been collected from CMIE's PROWESS database. The annual data of borrowings, income and net profit of 200 companies (of BSE 200 index) have been collected for the period of 1993 to 2008. This database is increasingly employed in the literature for firm-level analysis on Indian industry on the issues like performance of Indian companies (Chibber and Majumdar, 1999) and the performance of firms affiliated to diversified business group (Khanna and Palepu, 2000).

EMPIRICAL RESULTS

List of index number of debt, revenue and net profit of 200 sample companies from 1993 to 2008 is given in Table-2.

| Year | Index No of Debt | Index No of Revenue | Index No of Net Profit |
|-------|------------------|---------------------|------------------------|
| 1993* | 100** | 100** | 100** |
| 1994 | 110 | 104 | 148 |
| 1995 | 116 | 148 | 208 |
| 1996 | 125 | 166 | 225 |
| 1997 | 139 | 195 | 222 |
| 1998 | 143 | 206 | 262 |
| 1999 | 139 | 228 | 255 |
| 2000 | 134 | 294 | 314 |
| 2001 | 136 | 357 | 421 |
| 2002 | 140 | 353 | 433 |

| | | | |
|------|-----|-----|------|
| 2003 | 125 | 412 | 730 |
| 2004 | 149 | 447 | 848 |
| 2005 | 129 | 547 | 1141 |
| 2006 | 152 | 649 | 1140 |
| 2007 | 180 | 789 | 1406 |
| 2008 | 221 | 887 | 1572 |

* 1993 has been made base year for debt, revenue and net Profit index Number

** The base year Index Number is 100 for all the three; debt, revenue and net profit

| Year | Growth rate of Index No of Debt | Growth rate of Index No of Revenue | Growth rate of Index No of Net Profit |
|------|---------------------------------|------------------------------------|---------------------------------------|
| 1993 | -- | -- | -- |
| 1994 | 9.53 | 3.92 | 39.20 |
| 1995 | 5.31 | 35.28 | 34.03 |
| 1996 | 7.47 | 11.48 | 7.86 |
| 1997 | 10.62 | 16.10 | -1.34 |
| 1998 | 2.84 | 5.49 | 16.57 |
| 1999 | -2.84 | 10.15 | -2.71 |
| 2000 | -3.66 | 25.42 | 20.81 |
| 2001 | 1.48 | 19.42 | 29.32 |
| 2002 | 2.90 | -1.13 | 2.81 |
| 2003 | -11.33 | 15.46 | 52.23 |
| 2004 | 17.56 | 8.15 | 14.98 |
| 2005 | -14.41 | 20.19 | 29.68 |
| 2006 | 16.41 | 17.10 | -0.09 |
| 2007 | 16.91 | 19.53 | 20.97 |
| 2008 | 20.52 | 11.71 | 11.16 |

For testing hypothesis, the growth rates have been calculated for debt, revenue and net profit. On the series of growth rates of debt and revenue paired sample t-test has been used to find out whether difference between growth rates of debt and revenue are significant or not. The population distribution has been assumed to be normal for all the three items namely growth rate of debt, revenue and net profit. In the testing for first hypothesis (between growth rate of debt and revenue) the p-value was .031, therefore it is concluded that there are sufficient evidence to reject the null hypothesis that there is no difference in the growth rate of debt and revenue (the p-value of .031 is less than .05, the level of significance at 5%). The results are shown in the Table-4. Similarly for the hypothesis two (that there is no difference between the growth rate of debt and net profit) paired sample t-test has been used and results are shown in the table-4. The result shows that there is sufficient evidence to reject the null hypothesis because the p-value is .042

which is less than .05 (at 5% level of significance.)

Table-4; Results of Paired Sample t-test on the growth values of debt & revenue and debt and net profit

| Hypothesis | t-value | Degree of Freedom | Standard Error | p-value |
|--------------|---------|-------------------|----------------|---------|
| Hypothesis 1 | -2.397 | 14 | 3.86461 | .031* |
| Hypothesis 2 | -2.232 | 14 | 5.86048 | .042* |

*Difference is significant at 5% level of significance

Table 5 Test results of Mann-Whitney test

| | Mann Whitney Test Statistics | p-value |
|--------------|------------------------------|---------|
| Hypothesis 1 | 58.00 | .023* |
| Hypothesis 2 | 60.00 | .029* |

*Significant at 5% level of significance

Table-6 Mean Values of the growth rates of the index number

| Mean | Mean Growth Rate* |
|------------|-------------------|
| Debt | 5.2866 |
| Revenue | 14.552 |
| Net Profit | 18.3662 |

*Because of negative values simple mean has been calculated instead of geometric mean

Both the hypothesis got rejected. In other words the difference between growth rate of debt with respect to revenue as well as net profit is significantly different. Because we have assumed the normality of the distribution therefore

to relax this assumption, Mann Whitney (a non parametric test) has also been deployed to doubly verify the result given by paired sample t-test. The results of Mann-Whitney test has been given in table-5. For both the hypothesis Mann Whitney test is also giving significant results which endorses the results calculated from paired sample t-test that there is significant difference between growth rate of debt as compared to growth rate of revenue and net profit. The table-6 gives the mean value of the growth rate of debt, revenue and net profit.

Because mean value of growth rate of net profit is the maximum and debt is lowest therefore it was concluded that growth rate of debt was increasing at the fastest rate followed by growth rate of revenue and net profit in the period 1993-2008 (Figure-1).

CONCLUSION

In this study the apprehension largely mooted by the myopic view and instant selling ways by media, proved to be wrong. Both the apprehensions raised that debt is rising but neither revenue nor net profit are rising proportionately, could not stand testing of significance proved to be wrong. It was evident in this study that though, debt was increasing fast but revenue of Indian corporate was growing faster and net profit was growing the fastest.

- The debt was increasing but revenue of companies was increasing at a faster rate than the growth rate of debt.
- The debt was increasing but net profit of companies was increasing at a faster rate than the growth rate of debt.

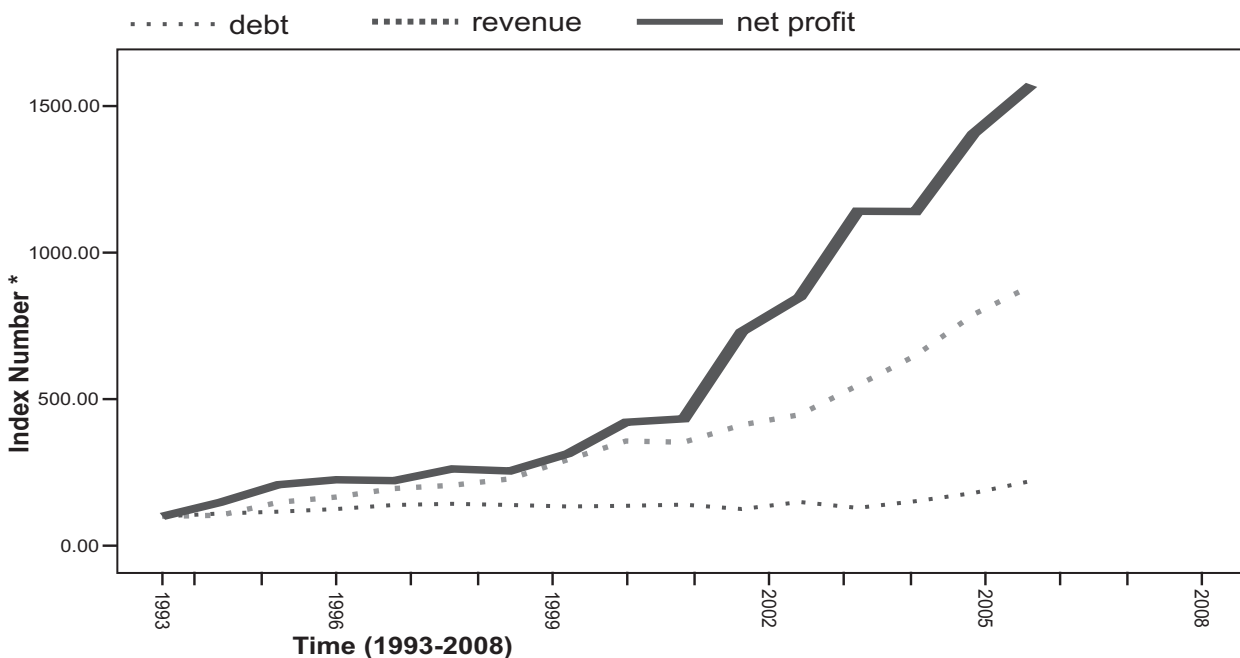


Fig: 1 Graph of Debt, Revenue and Net Profit

*The base year is 1993 and Index Number on the base year is 100 for all the three items (debt, revenue and net profit)

REFERENCES

- Altman, E. I. (1968), Financial Ratios, Discriminant Analysis, and the Prediction of Corporate Bankruptcy, *Journal of Finance*, Vol 23, No. 4, 589-609
- Chibber, P.K. and Majumdar, S.K. (1999), Foreign ownership and profitability; property rights, control and the performance of firms in Indian Industry", *Journal of Law and Economics*, Vol 42, pp 209-247
- Davis, E. P. (1987), Rising Sectoral Debt/Income Ratios: A Cause for Concern?, *BIS Economic Papers No. 20*, Bank For International Settlements, Basle
- David, E. P. and Stone, M. R. (2004), Corporate Financial structure and financial Stability, *Journal of Financial Stability*, Vol 1, 65-91
- Dubey, Rajeev (2009), Rise and Rise of Debt, *Business World*, April 27, 2009
- Friedman, Benjamin M. (1992), Financial Roadblocks to the Economic Prosperity, *Challenge*, Vol 35 Issue 2, 25-34
- Geonen, C Halit (2003), Capital Structure Decisions under Micro Institutional Settings: The Case of Turkey, *Journal of Emerging Market Finance*, Vol. 1, 57-82
- Ghosh, Saibal (2008), Leverage, foreign borrowing and corporate performance: firm-level evidence for India, *Applied Economics Letters*, 2008, Vol 15, 607-616
- Henry, Kaufman (1986) , Debt: The threat to Economic and Financial Stability, *Federal Reserve Bank of Kansas City, Debt, Financial Stability and Public Policy(FRBK 6, 1986)*, 15-26
- Kanna, T. and Palepu, K. (2000), Is group affiliation profitable in emerging markets: an analysis of diversified Indian business groups?, *Journal of Finance*, Vol 55, 867-958
- Modigliani, F and Miller, M H (1958), The Cost of Capital, Corporate Finance and theory of Investments, *American Economic Review*, Vol 48, 297
- Neveling, Nicolas (2005), Rising Debt level places companies at risk, *Accountancy Age*, 24 November 2005
- Osler, Carol and Hong, Gijoon (2000), Rapidly Rising Corporate Debt: Are firms now vulnerable to an Economic Slowdown, *Current Issues in Economic and Finance*, Vol 6, No 7
- Oyesola, Rafiu (2007), An Empirical analysis of the capital structure of selected quoted companies in Nigeria, *The International Journal of Applied Economics and Finance*, Vol 1, 1, 16-28
- Ozkan, Aydin (2001), Determinants of Capital Structure and Adjustments to long run Target: Evidence from UK Company Panel Data, *Journal of Business and Accounting*, Vol. 28, 175-198
- Pang, G., Pinto, B. and Wes, M. (2007), India Rising-Faster Growth, Lower Indebtedness, *World Bank Policy Research Working Paper 4241*, June 2007
- Rajan, R. J. and Zingales, L. (1995), What do we know about capital structure? Some evidence from International Data, *Journal of Finance*, 50, 1421-60.
- World Bank (2001), *Global Development Finance*, Washington DC

FACTORS INFLUENCING MOTIVATION TO CHOOSE INSURANCE AGENCY AS CAREER

G.Balachandar*

N.Panchanatham**

ABSTRACT

Opening up of insurance sector to private players creates more job opportunities directly and indirectly. In the period of digital revolution professional and highly qualified students easily get job in several sectors in India and in abroad. They receive higher salary in the early stage itself. It is tough for under educated, unemployed and rural people to get such type of job. Various new insurance companies in our nation focus such people and show the right path. To write this research article, researchers used secondary data. This article shares the idea about the public to choose insurance agency as a career.

Key Words: Insurance Agency, Motivation, Insurance Advisor

INTRODUCTION

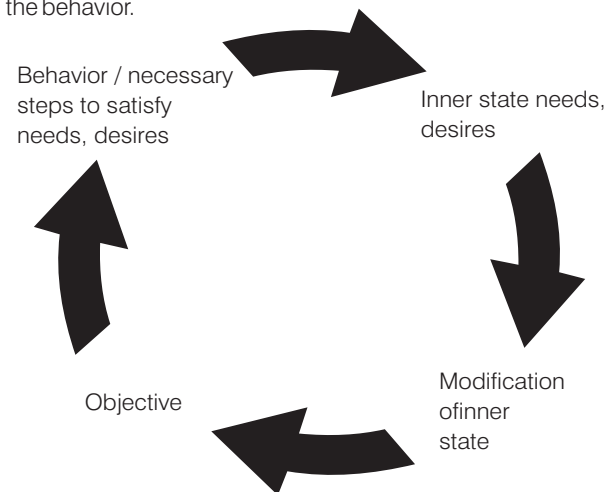
The developments in the way of living and standard of living, hike in the level of salary, impact of western culture, changes in the expenditure pattern, and modification in the type or level of investment style ensures the changes in the strategies adopted by Retail Insurance sector. Due to the change in the retail branch location, interior and exterior environment, branch office layout have become vital importance. In addition to that what features isolate a retail insurance company from other is the customer satisfaction. With the passing of IRDA Act 1999, the insurance sector was opened up and private insurance companies were permitted to start life or General insurance business with a maximum of 26% participation by a foreign partner. Now there are 21 life insurance companies and 20 general insurance companies. In this article we share the idea about factors inducing motivation to select insurance agency among job aspirants. Motivation has been defined by the various experts in the following way-

- Some driving force within an individual by which it attempts to achieve some goal in order to fulfill some needs or expectations. (Mullins, 1996)
- All those inner-striving conditions described as wishes, desires, drives etc. (Donnelly, Gibson, Ivancevich 1995).
- Positive correlation between productivity and motivation by means of a theoretical model which indicates that high satisfaction does not necessarily stimulate productivity rather it is the dissatisfaction that stimulates productivity. (March and Simon)
- As the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action (Davar)

Motivation process and its explanation

Unsatisfied want or desire is the starting point of motivation. Second phase of individual in the motivation process is tension. This tension is created due to unsatisfied want. Third phase of an individual in the motivation process is formation of right objective oriented behaviour then the tension exists in an individual is released. If the need or desire is satisfied,

then the level of tension increases. After which he will change the behavior.



Organization expects the employee to attract the objective within the given span of time. Organisation expects the employee to produce high quality, more goods. Craig .C. Pender (1984) reported that, "capacity of the employee, technical and moral support given by the supervisor are also the important factor to achieve the objective of the employee". Hence it is clearly understood that internal & external Factors take more importance in influencing the employee to attain the objective. Hence supervisor must identify which internal factors or external factors are to be implemented for the achievement of objective by the employee. Supervisor should not use improper factor for motivating the employee. If supervisor does so, he cannot expect optimum output from the employee.

Objective

To know the factors that influences a person to become life insurance advisor.

Methodology

To write these article researchers used secondary data. The

*Faculty, Business Administration, Annamalai University, Annamalai Nagar, Tamilnadu, INDIA

**Head, Dept of Business Administration, Annamalai University, Annamalai Nagar, Tamilnadu, INDIA

required secondary were collected from lot of magazines, insurance advisors' training manual, books, and websites of few life Insurance companies.

Determinants of motivation among job aspirants to choose insurance agency

Sales Mangers, Development officers of insurance companies must identify the factors that may influence a person to choose insurance agency as a career. Factors which motivate the agents are enormous business opportunity, brand image of the company, financial incentives & Non-financial incentives, training needs. At the outset, sales managers must get thorough knowledge, idea about the above said factors. Then sales managers may disseminate the details to the job aspirants, while selecting them as an individual agent.

Brand Image

Brand image has more convincing power to induce external environmental to see the organization and its products. According to Wikipedia, "brand image is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service". Brand image indirectly informs that products or service offered by the organization has certain qualities. Brand image is created by how the company's products or service are superior to its competitors. According to Rajan Nair & Sanjith Nair (1993), "One's product should be capable of easy identification by the buyers in the market place". Normally Brand image is influenced by advertisement, quality product, after sales service, Volume of business. Sales manager must inform the job aspirants about the image of the organization. Then aspirant may select insurance agency as his career.

Financial and Non- financial factors as motivators

All over the world money is considered as a deciding tool for social position. Human being normally expects money for his food, clothes, shelter. These are basic needs of a man to lead his life, for which he needs money. Gellerman (1981) highlighted that, "the most subtle and the important characteristics of money is its power as a symbol. Its most obvious symbolic power is its market value". Normally no salary is given to the insurance agent. But he is given commission that is also based on his performance.

| Type of Policy | Premium to be Collected (Rs) | 1st year commission (%) | Net Income (Rs) |
|----------------------|------------------------------|-------------------------|-----------------|
| ULIP | 2,50,000 | 10-15 | 25000 |
| Traditional products | 1,00,000 | 25-35 | 25000 |

Source: Nanayam Vikatan, May 31, 2008

Damodharan (2008) highlighted, "LIC has around 80000 agents. Among these agents, more than 25% of agents earn Rs. 10000 – 25000 per month". There are more agents earn 5 lakhs per month. Hence it is clearly understood that, if agents do their job dedicatedly, aggressively they may earn colossal money from this job.

As per IRDA norm, normally an insurance agent is given as below:

| Description | Commission % |
|-----------------------------|--------------|
| Life Insurance- 1st premium | 2-40 |
| Life insurance- Renewal | 1-7 |
| General Insurance | 10 |

The above said incentive structure are followed by insurance companies. It varies from one company to another. There has been no doubt to us, financial factor motivates job aspirant to select insurance agency as a career and to collect more premium from the prospective clients. Money alone cannot be utilized to motivate a person to do work, because individuals have various needs which they want to satisfy while doing the job in the company. According to Prasad (1993), emphasis on non-financial incentives is to provide psychological emotional satisfaction rather than financial satisfaction. After analyzing this, insurance companies start giving few benefits to the insurance agents. Few private life insurance companies offer gifts, gold coins, and foreign tour packages to their agents, who do the business well. Hence it is undoubtedly confirmed non-financial motivates lot of job aspirants to become an insurance agent. Consistently best performing agents may be selected as sales managers or Asst branch managers or Branch managers. In order to get business from target customer, agents need not go to prospects place every time, because it swallows lot of time. A separate room has been allocated for agents. It has several telephone lines to make contact, coffee maker, updated laptops. This feature reduces lot of work to be done by insurance agents. Insurance company supplies business card to their agents, it avoids unnecessary suspect. Hence efforts taken by the agent is drastically reduced by the insurance company. Surely it motivates job aspirant to choose this profession.

Untapped market as motivator

In addition to government owned insurance company, private players have been entering into the market since 1999. Because previously LIC and GIC have captured moderate business in urban area and less business in rural area. According to Ramadevi & Ramesh (2008), close to 80% of Indians do not hold an insurance policy, normally insurance plans are sold to urban area highly paid people who come in the tax net has been focused for only the tax saving purpose. Existing insurance agents do not concentrate various insurance plans, which solve customers' different needs. Damodharan (2008) highlighted, in every one's life situation like college, job opportunity, marriage, house, child's education, child's marriage, retirement life comes. Insurance agents have to identify the different situations and sell different insurance plan to a single person". Normally insurance agents avoid selling another insurance plan to the same person. This should be changed. At present there are around 20 lakhs insurance agents in our nation. Especially LIC has 13 lakhs agents. Even though, LIC focuses in increasing the number of agents to procure more business in urban and rural area.

Availability of Training

Training practically enhances the idea of the agent about the insurance company, product idea, sales presentation,



knowledge about competitor's product. According to Balu (1994), the objectives of training are to bridge the gap between existing performance ability and desired performance. Trained agents prepares subject, then they do their job perfectly. If a job aspirant wants to pick Insurance Agency job, he has to attend the training conducted by IRDA authorized institute. Period of training programme is 50 hours. The training programme imparts knowledge about who are the target customers, client tackling technology, product of its company, and product of its competitors company. The Training is spread over six to eight weeks. After participating in the training Programme, his confidence level, interest in selling life insurance product improves further. Then trained person must write the test conducted by Insurance Institute of India, which is nodal agency to conduct test. Once the person passes the qualifying exam, he will get the certificate from IRDA. Training shows right path to the agents in their profession and motivates the job aspirant to select insurance agency as a career.

Million Dollar Round Table

MDRT is a prestigious international trade association of insurance advisors. It has 1931 advisors in the year 2007, which is higher than thrice the number of advisors in the year 2006 (532 advisors). In order to become the member of MDRT, an advisor should receive Rs 30,36400 as a premium otherwise he must earn a commission of Rs. 5,98,000. MDRT membership increases the level of status in the society, name and fame. When an insurance advisor crosses the above said level, he is eligible to become MDRT member. It is very tough to achieve the cut-off level, once attained, concerned advisor will be praised and awarded by the insurance company. Hence majority of insurance advisors are taking effort to cross two levels like court of table (COT) and Top of table (TOT) with in MDRT. India's leading private sector life insurance company, SBI life, has been ranked 5th across the world in terms of number of MDRT members now. Hence MDRT is also considered as the right motivator.

CONCLUSION

Speed of economy of our country is like lightning during summer season. Indian insurance sector has seen steep growth since 2000, due to the opening up of private insurance company in the market. Life insurance companies stimulate people for long-term savings, it strengthen the sectors like infrastructure, real estate, stock market. Advisors act as a bridge between the insurer and the customer. Advisors restrain their prospects from profligate spending. Advisors approach the customers and sell the insurance product to them. Even though advisors participated in the IRDA authorized training program, they must be imparted training about how to approach the prospects, and how to close the sale and should update them about the product idea, IRDA rules and regulations. Insurance agents do not have any constant salary, hence agents must be motivated periodically to do business with the help of Financial and non-financial motivators. The success formula for policy sales mainly depends on the network. Agents should always maintain cordial relationship with friends, relatives, and neighbours. If Advisor's identify

the needs and desires of target clients, policy can be sold smoothly. Hence it is believed that agents are the vital source for an insurance company only through them bulk premium's are received constantly.

REFERENCE

- Atul Stanley Hermit (2007), "Insurance Myths busted", Karvy the Finapolis- your personal finance advisor, November
- Balu.V (1994), Human Resource management, Sri venkateswara publications, Chennai.
- Chunawalla S.A, (2000) "Commentary on Consumer Behaviour", Himalayan Publishing house, Mumbai.
- Craig C.Pender (1984), Work Motivation, Glenview, Ill: Scott, foresman.
- Damodharan (May, 2008), "Insurance Agent... Money earning Business", Nanayam vikatan, ed Rengaraj.R, Vasana Publications private limited, Chennai.
- David L.Loudon & Albert J. Della Bitta, "Consumer Behaviour", Tata McGraw Hill Publishing Company, New Delhi, 2004.
- Fred Luthans (1995), Organizational Behavior, McGraw-Hill, Inc, New York.
- Mishra. M. N, " Modern concepts of Insurance", S.Chand & company Ltd, New Delhi, 2004.
- Nirmal Singh (2005), Motivation: theories and practical applications, Deep and Deep Pulictions, New Delhi.
- Patil.PB & Thakkar.PN, "Impact of divestment on banking and insurance sectors", Indian journal of Marketing, May 2007.
- Paul Hersey and Kenneth H. Blanchard (1996), Management Of Organizational Behavior, Prentice Hall of India , New Delhi.
- Pillai.B.R, "Insurance Sector: Challenges & opportunities", The Insurance times, December 2006.
- Ramadevi .V and Ramesh .A (2008), "Life Insurance industry in India – a paradigm shift", Life insurance Today, vol.4, No.1, PP.10-14.
- Robins and Stephen .P (1993), Organisational Behavior: concepts, controversies and Applications, Prentice Hall of India, New Delhi.
- Prasad.L.M (1993), Organisational Behaviour, Sultan Chand & Sons, New Delhi.
- Rajan Nair & Sanjith Nair (1993), Marketing, Sultan Chand & sons, New Delhi.
- Rengaraj.R, May ,2008 "Insurance Agent...Money earning Business", Nanayam vikatan, Vasana Publications private limited, Chennai.
- Saifa Training Academy Ltd, "Life Insurance Hand Book", June 22, 2004.
- Selvavinayagam.k and Mohanraj.R (2007), "Innovative Marketing strategies in Insurance Industry in India", Annamalai Business Review, Vol.2, No.1, PP.39-40.
- Veluri VS.Sarma and Mamta.T, Sarangapani June, 2007. A, "Customer relationship management in insurance services- some reflections on Human resource development", the insurance times.

RETAIL REVOLUTION – BOON OR BANE

Sudarsana Reddy. G*

Ranganathan K**

ABSTRACT

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats. Western-style malls have begun appearing in metros and Tier two cities alike introducing the Indian consumer to a shopping experience like never before. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter the emerging markets. The primary focus of the study is to assess whether the farmer will get a better price for their vegetables in the retail revolution unfolding in our country, especially with respect to our farmers around Bangalore city.

Key Words: Retail Sector, Retail Revolution, Market

INTRODUCTION

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as department stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and tier two cities alike introducing the Indian consumer to a shopping experience like never before. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter the emerging markets. The large business houses like Tata's, Pantaloon and RPG group have already well established their footprint in organized retailing. Further, they have drawn up ambitious expansion plans. Birlas have appointed McKinsey as consultants to draw a business plan for their foray into organized retailing as they are already present in textiles through Madura garments. India with the population size of above 100 crores, more than 40% of the population still depends on agriculture for their livelihood. In spite of India liberalizing its' economy in 1991, the people who are at the bottom of the pyramid (farmers) have not really enjoyed the fruits of liberalization as much as urban population. The organised retailers are planning to procure directly from farmers. This is expected to help the farmers in improving their income. It is reported that half of the sale in hyper / super markets come from food items, fruits and vegetables and grocery. The farmers are feeling the pressures of raising prices much more than urban Indian. Their purchasing power is caught in vice. On the one hand, cost of cultivation is raising and the other prices of their vegetables are falling. Agriculture is one sector that has borne the brunt of the recent price rise. The food articles basket as a whole fell with steep prices recorded for jowar, fruits and vegetables." We buy tomatoes at Rs. 10 to 15 per kg in market where as the farmer who has produced vegetables - tomatoes gets only Rs. 1 to 2 per kg.

Few months back, Reliance opened its retail outlet in one of the domain markets of local markets in different states

bombing their business and dashing their other-wise well settled life. There are millions like him across the country and the ire of these self-employed youth is understandable. Many have already become jobless and others are on the way. They are not keeping quite. They are exhibiting their anger in protests, destructions, and angry posters and outbursts like: "East India Company came to India as a trading company and ruled the country for centuries. Today we are inviting MNCs like Wal-Mart to take ones country". The fury of these small vendors is directed bitterly against Reliance Fresh outlets and Bharathi's tie up with Wal-Mart. Reliance has its stores vandalized in Orissa, UP and Jharkhand. In UP, the company was forced to down shutters on all its 23 outlets and let go 235 of its employees. Protests have also been held against Reliance Fresh in West Bengal, Madhya Pradesh and Kerala. Right now, Reliance has opened 300 stores in 30 cities. Bharathi Wal-Mart alliance is set to operationalise in the latter half of 2008.

It is typical of emotions being allowed to overtake reasoning and vested interests having a field day. Suddenly self styled leaders (some of the ex-legislators and ministers) have emerged and are in the streets-breast beating and shouting that they are out to Champion the causes of small retailers. Sadly, these leaders and small vendors refuse to listen and understand the benefits of organised retailing. The czar of Indian organised retailing Mukesh Ambani made certain pertinent observations in the recently held AGM of Reliance industries. "By reducing wastage" he declared "we want to enrich farmers and serve consumer". Considering that 30 to 35 per cent of 60 million tonnes of fruits and vegetables in the country – about Rs. 8,000 crores in value terms – are wasted due to lack of storage and other facilities, organised retailing is not the evil business it is being made out to be. "We are sensitive to the interests of small shop keepers". Went on Mukesh Ambani, "Our retail initiatives will in no way jeoparadise their interests and that of small vendors who

*Professor in Management, Seshadripuram Institute of Management Studies, Bangalore, INDIA

**Ex. VP JK Tyres, Professor, Department of Management Studies, Acharya Institute of Management & Sciences, Bangalore, INDIA

serve customers". Ambani cited the example of bananas to demonstrate how organised retailing helps farmers. "Reliance bringing to farmers in Gujarat, Maharashtra, and Andhra Pradesh, high quality tissue cultured banana plants that yield 35 to 40 kg per bunch of fruits as against 20 with conventional cultivation. Reliance buys these bananas from farmers at prices that are 10 to 15 per cent higher than what they would get from conventional channels", added Ambani. Some experts say that organized retailing is boon for farmers and some other argues that it is ban for hawkers and peddlers. Hence, the focus of this research study is to assess whether the farmer will get a better price for their vegetables in the retail revolution unfolding in our country, especially with respect to our farmers in Karnataka and organized retailing is boon or ban for hawkers and peddlers.

Objectives of the Study

The prime objective of the study is to know the effect of retail revolution boom on farmers' income with respect to farmers around Bangalore city. Specific objectives are:

- To assess whether the farmers around Bangalore city have benefited by the current wave of retailing and the extent of benefit;
- To know the scope for improving farmer's income with the projected explosive growth and entry of big business houses like Reliance and Birlas;
- To assess the impact of technical advice if any, given by the organized retailers in the areas of cropping pattern, seed selection, wastage reduction for improving the farmers income;
- Suggest a relationship model between farmers and corporate procurement on the lines of the successful Amul Cooperatives.

Research Design

In the present study descriptive design is used, because the present study seeks answers for the questions like - Who is organised retailer? Who is benefiting from organised retailing? What percentage of farmers' income has improved? When will organised retailers are going to buy products from farmers? When farmer' income is going to improve? Where farmers selling their products? Where organised retailers are procuring? How much of the total production of vegetables are purchased by the organised retailers? How much organised retailers are paying to the farmers?

Sample Design

Population of the study comprises all the big retail outlets like Big Bazaar, Subhiksha, and Spenser situated in Bangalore, and all the farmers producing vegetables, and fruits in the villages around the Bangalore city. The study confines to the issues relating to the acquiring and distribution of vegetables; and fruits around the Bangalore city. Therefore,

the study excludes pulses and the related products. With the use of convenience sampling the researchers have selected select 150 farmers from the villages (Hoskote, Kolar, Tumukur, and Chikkaballapur) and a total of six retail outlets from the Bangalore city selected for present study.

Sources of Data

The required data for the study obtained from primary as well as secondary data. The primary data have been collected from the responses to big retail outlets and the farmers through the personal interview. The secondary data would be obtained from the reports, books, Journals, and articles from the magazines.

Impact of Retail Revolution Boon on Farmers' Income

Analysis and interpretation of data is very important for drawing meaningful inferences from the study. Without analysis it is just like collecting all the inputs required for preparing food. Raw data is dumb, but it will tell vivid stories when it is properly used in analysis and interpretation of data. Therefore the following analysis and interpretation:

Age-wise Categorisation of Respondents

Age is important in studying the impact of organised retail revolution on farmers, because youngsters are more aware about retail revolution and they are interested leveraging on organised retail boom.

Table – 1 Age-wise Categorization of Respondents

| Age (in years) | No. of Respondents | Percentage |
|----------------|--------------------|------------|
| Below 30 | 27 | 28 |
| 31 to 50 | 108 | 72 |
| 50 above | 15 | 10 |
| Total | 150 | 100 |

From the Table – 1 it is clear that 72 per cent of the respondents are falling in the age group of 31 to 50 years, indicating that this is the working age group. 28 per cent of the respondents are in the age category of less than 30 years, who are the youngsters working in the field because of no education, low education, or no other person who can lead the family. 15 respondents are the above 50 years indicating that they have grown up children who have taken the responsibility from their father.

Education Profile of Respondents

Generally farmers are less educated or not educated. But now-a-days there are farmers who have graduated and involved in producing good quality products with efficient utilisation of available resources. Therefore, education plays very important role in producing good quality products, thereby the benefits of retail revolution. Knowing respondents education helps in better understanding of the impact of organised retail on farmers' income.

Table – 2 Education Profile of Respondents

| Education | No. of Respondents | Percentage |
|----------------|--------------------|------------|
| Less than SSLC | 92 | 62 |
| SSLC | 21 | 14 |
| PUC | 18 | 12 |
| U.G | 11 | 07 |
| PG | 08 | 05 |
| Total | 150 | 100 |

More than 75 per cent (see Table – 2) of the farmers are falling in the education profile of SSLC or less than SSLC. It indicates that respondents who have less education qualification are depending on agriculture. But one interesting thing is that there are five respondents who are Post graduates, and involving in agriculture business. From this it is clear that, it is not necessary that only people who have low education qualification should involve in agriculture.

Income-wise Distribution of the Respondents

The above Table – 3 clearly indicates that 88 per cent of the respondents' annual income is less than Rs. 50,000.

Table- 3 Income- wise Distribution of Respondents

| Income in Rs | No. of Respondents | Percentage |
|------------------|--------------------|------------|
| Below 25,000 | 110 | 73 |
| 25,000 to 50,000 | 23 | 15 |
| 50,001 to 75,000 | 13 | 09 |
| Above 75,000 | 04 | 03 |
| Total | 150 | 100 |

And only three per cent of the respondents are falling in the income group of above Rs. 75, 000. One can easily understand that this is no farmer whose income is above one lakhs. It is because of lack of water, reduced productivity, increased expenditure and reduced realised price.

Land Ownership

Land ownership plays an important in farmer's income. Leasehold land involves lease rentals. There are so many farmers who have lost their land due increased borrowings, and their inability to pay the borrowings. 84 per cent of the respondents own land.

Table – 4 Acres of Land Owned

| Acres | No. of Respondents | Percentage |
|-------------|--------------------|------------|
| Less than 1 | 12 | 19 |
| 2 to 5 | 40 | 64 |
| 5 to 10 | 07 | 11 |
| Above 10 | 04 | 06 |
| Total | 63 | 100 |

17 per cent of the land owners have above five acres of land. In other words, 83 per cent of the land owners have less than five per cent. With respect to the number of acres owned 46 per cent of the farmers own land two to five acres (see Table – 4). It indicates that land fragmentation due to population explosion.

Crops Respondents are Cultivating

Farmers can grow different varieties of crops based on the availability of water, electricity, type of land, family size; demand for production, easiness in the cultivation, family consumption and so on. Table – 5 depicts the different type crops cultivated by the respondents.

Table – 5 Category of Crops Growing

| Category of Crops | No. of Respondents | Percentage |
|-------------------|--------------------|------------|
| Paddy | 09 | 06 |
| Vegetables | 125 | 83 |
| Fruits | 38 | 25 |
| Groundnut | 17 | 11 |
| Others | 05 | 03 |

The two major categories of the crops where the farmers are involved are vegetables (83 per cent) and Fruits (25 per cent), it is due to lack of sufficient water. Out of 150 respondents only nine grow paddy, not because it is profitable, it is just they need rice for family. They do not want to buy. 11 per cent of the farmers are growing groundnut, which is commercial crop and requires less water. There are five farmers who are involved in growing flowers.

Mode of Selling

Produced crop can be sold directly to the consumers or sold to the intermediaries (indirectly). Generally farmers with less production and small family size would prefer to sell through direct sales.

Table – 6 Mode of Sales

| Mode | No. of Respondents | Percentage |
|-------------------|--------------------|------------|
| Direct Sale | 16 | 11 |
| Through Middlemen | 134 | 89 |
| Total | 150 | 100 |

The above Table – 6 shows that only 11 percent farmers are selling their products through direct sale, and remaining are going through middlemen.

Form of Direct Sales

Direct sale can be hawker form, own shop, weekly Shandy. Table – 7 details the different forms of direct sales.

Most of the farmers are selling vegetables through middlemen (see Table – 6), and only 16 farmers from the interviewed sell directly. Of these 16 farmers 13 of them are selling vegetables through weekly Shandy and three in the green grocer (hawker) form, who have less than one acre land . None of the farmers own retail outlet.

Table – 7 Form of Direct Sales

| Form | No. of Respondents | Percentage |
|--------------------------|--------------------|------------|
| Green Grocer (Push Cart) | 03 | 19 |
| Own shop | 00 | 00 |
| Weekly Shandy | 13 | 81 |
| Total | 16 | 100 |

Form of Indirect Sales

Table –8 depicts the mode of indirect sales. As shown in the Table – 6 that 89 per cent of the farmers are selling through intermediaries. Of the 134 farmers 106 taking vegetables to the urban markets and 28 farmers are selling vegetables in the local markets. But at the same time 123 farmers are selling their vegetables in both markets. Farmers take vegetables to urban markets – APMC, SAFAL, and KR Market.

Table – 8 Mode of Indirect Sales

| Form | No. of Respondents | Percentage |
|--------------------|--------------------|------------|
| Local Market | 28 | 21 |
| Urban Market | 106 | 79 |
| Both the above | 123 | 92 |
| Organised Retailer | 21 | 16 |

Note: Percentage is calculated on the basis of 134 i.e., farmers who are selling their products through middlemen.

Price Realised

Only manufacturers have privilege of fixing price for their products. In other words, they fix price with the consideration of a certain percentage of profit. It indicates that price of farm products may not include profit, because farmers is not allowed to fix the price, like manufacturer. Most of the farmers are not realised remunerative price, due to middle men. At this point it is better to remember the finding of Multi Commodity Exchange, the finding is that 'farmers' get only half the price consumers pay', because it says that margins for traders, intermediaries, processors, and others account for nearly half of the cost footed by the consumer. In the process, mostly, value-addition to the product takes place only twice, with the other intermediaries looking just to add their margins. 1 Arvind, CEO of the food business of Pantaloon Retail – the owner of Food Bazar, says that organised retailing helps farmers get at least 75 per cent of the consumer's price. 2 Low price (loss) realisation is the prime reason for increased number of farmers' suicides in different states. Realised price is very important for judging whether the farmers are earning profit or not. Farmers who have been selling directly opine (69 per cent) that they are realising price which is profitable, but the farmers (87 per cent) who have adopted indirect sales feel that they are not realising remunerative prices, some times they bear losses. It is because of intermediaries' involvement in the channel of distribution of vegetables.

Respondents Awareness on Retail Revolution

India's organised retailing is around nine percent. It is interesting to know that farmers awareness about organised retailing. Increased awareness leads to entry of contract farming or production of quality products and so on.

Table – 9 Respondents Awareness level about Retail Revolution

| Opinion | No. of Respondents | Percentage |
|---------|--------------------|------------|
| Yes | 150 | 100 |
| No | 00 | 00 |
| Total | 150 | 100 |

It is very interesting to know that all (see Table - 9) respondents are aware of the retail revolution. As we have read that 75 per cent of the respondents' education level is less than SSLC. It indicates that there is no difference between educated and uneducated in the level of awareness of retail revolution.

Chance of Selling Products to Retailing Company

Recently as many articles in news papers, journals, propagated that organised retailing leads contracting farming there by improving farmers' income. But organised retailers are purchasing only three per cent of the total production of vegetables from farmers. It is interested to know that how many farmers have got the chance of entering into contract farming. Tables – 10 and 11 gives the details of percentage of respondents entered into contract farming and the form of contract farming.

Table – 10 Organised Retailers Approach for Purchases

| Opinion | No. of Respondents | Percentage |
|---------|--------------------|------------|
| Yes | 36 | 24 |
| No | 114 | 76 |
| Total | 150 | 100 |

Table- 11 Mode of Purchases by Organised Retailers

| Mode | No. of Respondents | Percentage |
|--------------------------|--------------------|------------|
| Through Contract Farming | 21 | 58 |
| Through Middlemen | 15 | 42 |
| Total | 36 | 100 |

As we read in the Table – 9 that all the farmers are aware of the retail boom 24 per cent (see Table – 10) of the respondents approached by organised retailers for direct purchases. Of these 58 per cent of them have entered into contract farming. The remaining 42 per cent (see Table – 11) farmers did not enter into contract farming due to their inability to comply with the policies of organised retailers, and lack of sufficient land for cultivation.

Entry in Contract Farming

Table - 12 Entry in Contract Farming

| Opinion | No. of Respondents | Percentage |
|---------|--------------------|------------|
| Yes | 21 | 100 |
| No | 00 | 00 |
| Total | 21 | 100 |

Nature of the Contract

Table- 13 Duration of the Contract Farming

| Years | No. of Respondents | Percentage |
|---------------------|--------------------|------------|
| Less Than Half Year | 00 | 00 |
| Half Year | 02 | 09 |
| One Year | 14 | 67 |
| Above One Year | 05 | 24 |
| Total | 21 | 100 |

14 of the 21 farmers (see Table-13) have entered into one year contract. It indicates the initial phase, where in both the parties are in the trial and error process. 24 per cent of the farmers have entered into above one year contract farming agreement; these farmers are having more land and some education background. There is no single farmer who have entered contract for less than half year. Only two respondents have entered into half year contract.

Anticipated Growth in Income through Contract Farming

As all of us reading articles in news paper, magazines that retail revolution is helpful increase farmers' income level, by avoiding middlemen. David Mulford, the US ambassador, said in New Delhi on 6th March 2007, that organised retail boosts rural economy, by large companies entering the nation's retail industry, creating jobs in rural areas and helping farmers obtain better prices for their produce.³ To know whether, the result of retail revolution on farmers' income this question is included in the scheduling. Table – 14 gives the impact of retail revolution on farmers' income.

Table – 14 Anticipation of Growth in Income

| Opinion | No. of Respondents | Percentage |
|---------|--------------------|------------|
| Yes | 21 | 100 |
| No | 00 | 00 |
| Total | 21 | 36 |

All respondents have anticipated that their income is going to improve after the boom in retail boom in India. Even though they are living rural villages their awareness on retail revolution made them to anticipate improvement in their income, and standard of living by minimising are elimination middlemen in the sale of their vegetables.

Growth (%) in Income

Knowing respondents' anticipation in their income give no meaning for the study, unless the researcher gets the

percentage of income improvement. Therefore this question is included in the schedule. Table – 15 gives the percentage of improvement in the farmers' income.

Table – 15 Growth (%) in Income

| % of Growth in Income | No. of Respondents | Percentage |
|-----------------------|--------------------|------------|
| Less than 10 | 02 | 10 |
| 11 to 20 | 18 | 86 |
| 21 to 30 | 01 | 04 |
| 31 to 40 | 00 | 00 |
| 41 to 50 | 00 | 00 |
| Above 50 | 00 | 00 |
| Total | 21 | 100 |

It is interesting to note that farmers have benefited with 11 to 20 per cent income improvement (see Table – 15). There is only one respondent who have said that their income improvement ranges between 21 to 30 per cent. It is almost true that organised retailers have said that, organised retailing helps improving farmers' income by 15 per cent. Table – 15 also indicates that there is no single farmer whose percentage of income is above 30 per cent. But organised retailing has definitely helped farmers improving their income.

Form of help from Contractor

Organised retailers who are entering into contract farming expected to provide some help to the farmers in cultivating and producing good quality products. Tables – 16 and 17 provides the details of help provided by the organised retailers who procures vegetables through contract farming.

Table- 16 Support from Organised Retailers

| Opinion | No. of Respondents | Percentage |
|---------|--------------------|------------|
| Yes | 21 | 100 |
| No | 00 | 00 |
| Total | 21 | 100 |

Table-17 Nature of Help

| Nature of Help | No. of Respondents | Percentage |
|--|--------------------|------------|
| Financial | 11 | 52 |
| Technical (Seed Selection, Water Reduction etc.) | 21 | 100 |
| Both the above | 11 | 52 |

Table – 16 indicates that all most all the farmers who have entered into contract farming have supported by organised retailers. All farmers who have entered into contract farming have (see Table- 17) benefited in the form of technical support like seed selection and effective utilisation of water, for better quality production. Organised retailers have also provided financial help (as advance) for purchase of seed, and other inputs. Organised retailers also trained farmers in grading vegetables.

Mode of Payment

When farmer sells their produce to intermediaries, generally they get payment in the form of cash. But in the globalised era whether the payment mode is still remains there or not. To know this question is included in the schedule.

Table – 18 Mode of Payment

| Payment Mode | No. of Respondents | Percentage |
|--------------|--------------------|------------|
| Cash | 00 | 00 |
| Cheque | 21 | 100 |
| Other | 00 | 00 |
| Total | 21 | 100 |

The above Table – 18 shows the different types of modes of payment of sales. It is clear that all respondents have been receiving payment in the form of Cheque. No one is receiving payment in the form of cash; it is because retailers are companies they always pay through Cheque. Cheque mode of payment is not preferable for some respondents, but there is no way to receive cash payment.

Frequency of Payment

Generally middlemen take up to nine months to pay farmers, but organised retail companies pay faster. Frequency of payment is shown in the Table – 19.

Table – 19 Frequency of Payment

| Frequency | No. of Respondents | Percentage |
|-------------|--------------------|------------|
| Daily | 00 | 00 |
| Weekly | 21 | 100 |
| Monthly | 00 | 00 |
| Quarterly | 00 | 00 |
| Half yearly | 00 | 00 |
| Total | 21 | 100 |

Organised retailers are paying weekly once. In other words, all respondents are receiving their payment in the form of Cheque and weekly once. Generally, long term contracts involve payments in monthly, or quarterly or half yearly, but in contract farming organised retailers are paying weekly once, which is nice practice. All most all the farmers are happy with weekly payment system.

Respondents Satisfaction on Contract Farming

Any two people who are entering into a contract might have expected benefits for both the parties. The same applies for contract farming also. Contract farming between farmer and organised retailer takes place with expected benefit from both sides. Table – 20 says that whether farmers are satisfied with contract farming are not.

Table – 20 Respondents' Satisfaction on Contract Farming

| Opinion | No. of Respondents | Percentage |
|---------------|--------------------|------------|
| Satisfied | 21 | 100 |
| Not Satisfied | 00 | 00 |
| Total | 21 | 100 |

All respondents are satisfied with the contract farming. It indicates that the agreement between retailers and farmers providing benefits to farmers.

Reason for Satisfaction

When a farmer says that he wants to continue with the contract farming then there should be some reason or benefit from contract farming. Table – 21 details the reasons or benefits why farmer wants to continue with the contract farming.

Table – 21 Reasons for Continuing Contract Farming

| Benefits | No. of Respondents | Percentage |
|--------------------------------------|--------------------|------------|
| Learnt to produce quality vegetables | 16 | 76 |
| Learnt to save water | 19 | 90 |
| Learnt the grading system | 21 | 100 |
| No need to go to market | 21 | 100 |
| Income improvement | 21 | 100 |

Above Table – 21 indicates that farmers are getting benefit in different ways. Farmers are satisfied with contract farming because, they learnt - to produce quality vegetables, to save water, the grading system, and no need to go to the market, and all these led increase in their satisfaction.

SUMMARY OF FINDINGS

In this chapter we present findings from the study.

- Organised retailers are purchasing only three per cent of the total production of vegetables from farmers and the remaining produce is sold in the local market
- One third of the respondents are falling in the age group of 31 to 50 years, indicating that this is the working age group followed by the age category of less than 30 years, who are the youngsters working in the field because of no education, low education, or no other person who can lead the family.
- More than 75 per cent of the sample farmers are falling in the education category of SSLC or less than SSLC and they are depending on agriculture. It also indicates that lack of job opportunities for low education profile and respondents who have less education. But one interesting thing is that there are five respondents who are Post graduates, and involving in agriculture business, it shows that that it is not necessary that only people who have low education qualification should involve in agriculture.

- 88 per cent of the respondents' annual income is less than Rs. 50,000, and there is no farmer whose income is above one lakh rupees. It indicates that farmer is the poor man in any country. The income is less because of lack of water, reduced productivity, increased expenditure and reduced realised price.
- Majority (84 per cent) of the farmers own land, but all most all of them have less than five acres land.
- The two major categories of the crops where the farmers are involved are vegetables (83 per cent) and Fruits (25 per cent), it is due to lack of sufficient water. Out of 150 respondents only nine grow paddy, not because it is profitable, it is just they need rice for family. They do not want to buy. The other crops are groundnut, which is commercial crop and requires less water and flowers.
- Only 11 percent farmers are selling their products through direct sale, and remaining is going through middlemen. It shows that Most of the farmers are selling vegetables through middle-men. Of these 16 farmers 13 of them are selling vegetables through weekly Shandy and three in the green grocer (push cart) and None of the farmers own retail outlet.
- Around 90 per cent of the farmers are selling their produce through intermediaries. The intermediaries who come villages or who are there at urban market. Farmers take vegetables to urban markets – APMC, SAFAL, and KR Market.
- Farmers who have been selling their produce directly opine that the price is remunerative (profitable), when compared to the farmers who sell through intermediaries. Some times farmers who sell through middlemen incur loss.
- It is very interesting to know that all respondents are aware of the retail revolution. There is no difference between educated farmer and uneducated farmer with regard to the awareness level of retail revolution.
- 24 per cent of the respondents approached by organised retailers for direct purchases. Of these 58 per cent of them have entered into contract farming. The remaining farmers did not enter into contract farming due to their inability to comply with the policies of organised retailers, and lack of sufficient land for cultivation.
- 14 of the 21 farmers have entered into one year contract. It indicates the initial phase; both the parties are in the trial and error phase. Only five farmers have entered into more than one year contract; these farmers are having more land and some education background. There is no single farmer who have entered contract for less than half year.
- All respondents have anticipated that their income is going to improve after the retail boom in India. Even though, they are living in rural villages their awareness on retail revolution made them to anticipate improvement in their income, and standard of living by minimising or elimination of middlemen in the sale of the vegetables.
- Most of the respondents' have benefited from retail boom with improvement in income by 11 to 20 per cent. There was only one respondent who has said that their income has improved between 21 to 30 per cent. Thus it is clear the retail boom had definitely helped farmers improving their income.
- All most all the farmers who have entered into contract farming have support from organised retailers. The support is in the form of technical as well as financial. Technical support includes seed selection, effective utilisation of water and training on grading vegetables, cleaning & packing. Organised retailers have also provided financial help (as advance) for purchase of seed, and other inputs.
- Organised retailers have paid farmers through Cheque. In other words, no farmer is receiving payment in the form of cash; it is because retailers are companies they always pay through Cheque. Cheque mode of payment is not preferable for some respondents, but there is no way to receive cash payment.
- Payment is made weekly once. Generally, long term contracts involve payments in monthly, or quarterly or half yearly, but in contract farming organised retailers are paying weekly once, which is nice practice. All most all the farmers are happy with weekly payment system.
- Contract farming has benefited farmers, since all the respondents are happy with the contract farming. Farmers are satisfied with contract farming because, they learnt - to produce quality vegetables at less cost and realised higher profitable price, and thus improving their income. This satisfaction led them to propagate contract farming and encouraging others to enter contract farming.
- Of the 21 respondents, who have entered into contract farming, only nine are interested in farming cooperative society; it indicates that respondents are not interested in forming cooperative society. It is due to some doubts or problems in managing cooperative society. Some of the respondents opine that they do not know much about cooperative society – farming, managing, benefits, and risks involved in. Few others said that they are aware a lot about cooperative society, but not interested in farming cooperative society just because of risk.

CONCLUSION

The retail sector has played a phenomenal role throughout the world in increasing productivity across wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector. The retail business has



developed into a mature and full-fledged industry where more than three-fourths of the total retail trade is done by the organized sector.

For Indian retailing, things started to change slowly in the 1980s, when India first began opening its economy. Textiles sector was the first to see the emergence of retail chains. Later on, Titan, maker of premium watches, successfully created an organized retailing concept in India by establishing a series of elegant showrooms.

For long, these remained the only organized retailers, but the latter half of the 1990s saw a fresh wave of entrants in the retailing business. Now around it was not the manufacturer looking for an alternative sales channel. These were pure retailers with no serious plans of getting into manufacturing. These entrants were in various fields, like food, health and beauty, clothing, footwear, home furniture and house holds, durables goods, leisure and personal goods.

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. Retail industry, in India at about \$300 billion, accounts for nearly 37 per cent of India's GDP. It is estimated to be more than double by 2015. India ranks first, ahead of Russia, in terms of emerging markets potential in retail and is deemed a 'Priority 1' market for international retail. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing.

Organised retail revolution created opportunity for corporate retailers. With this organised retail boosts rural economy, by large companies entering the nation's retail industry, creating jobs in rural areas and helping farmers obtain better prices for their produce. All most all farmers are happy with the organised retailers because they have improved farmers' income by buying vegetables and fruits directly from them; provided financial support; educated them - on producing quality produce, separation of produce based on grades, efficient utilisation of water, seed selection, made learn vegetables names in English; reduced the risk of taking produce to market and waiting time; weekly and payment. Therefore, retail revolution is a boon for farmers.

SUGGESTIONS

Model for cooperation between farmers and organized retailers.

Co-operative Supply

As we have read in the findings of the study that farmers have benefited from the retail boom. There is scope for further improvement in their income by forming co-operative society. But there are only 21 respondents are aware about co-operative society, whose education qualification is above PUC. All the farmers who are aware about co-operative society have to come forward to create awareness about co-operative society and educate other respondents. This

motivates them to come forward and joint with co-operative society. After awareness programme farmers can form a cooperative and the cooperative can supply the produce procured from their members to the organized retailers and this will improve the bargaining power of the farmers.

State Government and Panchayat

In the process of creating awareness and forming Co-operatives State government and the local panchayat can help them and also provide model contract term to co-operative society. This is required as farmers are reluctant to form a society. Government help is necessary not only for forming co-operative society but also creating awareness about organic forming and motivation farmers to go for organic forming. Ministry of Commerce has to lay down standards for organic certification and for governments to promote organic agriculture.

Branded Products & Brand Value

Co-operatives can come up their own brand and create brand value like organised retailers now doing. Now most the vegetables and fruits are sold with brand. Therefore, the cooperatives can help in creating brand value for the vegetable and fruits. Example: Hoskote Potato.

Micro Finance

Apart from the paying membership fee for joining with co-operative society, farmers' cooperative can also try to get help from Non-government Organisation's (NGO's) in bringing micro finance. After some time when the cooperative earning profit the farmers can put part of their share income as a capital to raise the money for this imitative.

Technical Assistance

Organised retailers, apart from providing nominal finance help and seed selection, efficient utilisation of scarce water, they should create a separate technical assistance team and conduct training program at the village level.

Organic Farming

There is no doubt farmers' benefiting from retail boom; this will further help improving their income when farmers start adopting organic forming. World-wide the organic produce market is worth \$ 30 billion and it is growing by 10 to 13 per cent annually. India's organic food market is expected to pick up in the next five years. There are already few retailers are selling organic products, and this is going to increase. This will make organised retailers come forward to concentrate on the sale of organic products, because consumers have already starting buying organic products. Consumers go for organic produce because - it avoids cancer causing pesticides in food, it stops killing living organisms in humans, organic food tastes great, more nutritious, and reduces health risks. The rates of organic products are just 30 per cent higher than the non-organic produce. Organic farming protects earth by not using toxins and chemicals and brings

back the health of soil, it prevents water contamination and it in harmony with nature. From this we can that the future is organic farmers. Therefore, farmers should not stop just with benefiting by avoiding middlemen, or entering contract forming, they should go for producing fruits and vegetables on the base of organic farming in part of their farm for better yield.

Scope For Further Research

The present study is limited to – fruits & vegetables, and that too few villages in around Bangalore. Therefore, there is ample scope for exploration in this area, like the following:

- Organised Food retail and its impact on the unorganised retailers, in Karnataka.
- Impact of organised (fresh fruits and vegetables) retail on green grosser (push cart vendor) in Karnataka.
- Study on impact of organised retail revolution on the farmers' standard of living.
- Role of the government in creating awareness on organic farming.
- Role of academic community in bridging gap between the industry and farmers.

CONCLUSION

From the above analysis and findings it is clear that farmers are definitely benefiting from organised retailing by avoiding middlemen, realizing remunerative price for their production, providing financial and technical help, educating them on producing quality products. And for hawkers and peddlers initially their business has come down, but latter their business improved. How ever, organised retailing is boon for farmers their income has increased, and not bane for hawkers and peddlers, all of them have not lost their jobs, and business. On an overall, the benefit of organised retailing is more when compared the loss.

REFERENCES

- The Business Line, 11th November, 2007, p.1.
- Puja Mehra, The Battle for Retail Turf, Business World, 10th September 2007, p.40-42
- Bloomberg, Organised Retail to Boost Rural Economy, Business Standard, 7th March 2007, p.6.

DETERMINANTS OF FAMILY BUYING PATTERN A STUDY WITH REFERENCE TO BUYERS IN THIRUVANANTHAPURAM DISTRICT

Hari Sundar. G. Ram*

D. Sudharani Ravindran**

ABSTRACT

This paper seeks to analyze in depth the level of the actual buyer taking into consideration purchasing behavior. In the context of buying poles, the term buyers refer to the member (s) of the family, who are physically involved in the process of purchasing a product. For the study 323 buyers, who had purchased one of its durable products, were contacted. The area of study was selected as Thiruvananthapuram.

Kew Words: *Buying behavior, Product, Buyer*

INTRODUCTION

Conceptual Framework

In the context of buying roles, the term buyer refers to the member (s) of the family, who is physically involved in the process of purchasing a product. According to Wilkies (1994), buyer is a person who actually purchases the product, pays for it, and either takes it home or arranges for delivery. At times, this person is acting as the decision-maker and at times as a purchasing agent for another person. Schiffman and Kanuk (1997) have defined buyer as those who make the actual purchase. The purchase of a consumer durable product is an important occasion in Indian families. Traditionally, in South India, it is considered auspicious to purchase a consumer durable product during the month of Chingam, the Malayalam New Year day or during the festival of Vishu. Similar sentiments also prevail in other parts of the country on different important festivals. For example, in Tamil Nadu, the purchase is being carried out mainly during the month of "Aadi" (July) and also during Diwali and Navaratri. In view of these market characteristics and consumer behaviour, it can be expected that the responsibility of purchasing the product would be bestowed on the most important person in the household. Although this is a very advanced stage in the decision making process, when most things have already been discussed and decided about, the buyer is still exposed to the influence of the retailer and probable options. It is important to assess as to what extent the buyer is aware about the different aspects of the product to be purchased and how far the retailer is able to influence the purchase decision. Both these aspects have far reaching implications for the marketer when he balances the push and pull sales strategies. The role of a buyer corresponds to the stage IV purchase decision of the decision making process:

| Need | Information Search | Evaluation of Alternatives | Purchase Decision | Post purchase Behaviour |
|------------|--------------------|----------------------------|-------------------|-------------------------|
| Initiators | | | | |
| | Influencers | | Decider Buyer | |

Data Collection method

A structured questionnaire was prepared for the purpose of collecting the necessary information. The data were collected through personal interviews, conducted during August and September and also during April in 2008 and 2009. Five roles (Defined by Philip Kotler, namely, initiator, influencer, decider, buyer and user), played by family members in the purchase of a durable product, were examined for the study the family as a sampling unit was considered for the purpose of the study. The questionnaire used for the survey was divided into three parts.

- The first part was used to identify the members with the buying roles. This part was administered to preferably all, but at least two members of the family. Each of the buying roles was explained to the members. They were asked to identify the family members for these roles. In order to avoid any bias, the questions were addressed to each member individually.
- The second part of the questionnaire was directly addressed to the family member, who had actually played that role in the purchase of a particular product. These again consisted of five parts, where specific questions relating to each role were asked from the person who had actually played that role (identified from the first part of the questionnaire). If two persons had played a specific role, then both of them were regarded as respondents for the purpose of the study.

*Assistant Professor, VIT Business School, VIT UNIVERSITY, Vellore, Tamil Nadu, INDIA

**Assistant Professor, PSG IM, Coimbatore, INDIA

- The third part of the questionnaire included the personal details of the family members.

The Sample

A non-probability sampling was adopted. The sample consisted of 323 families, who had recently purchased one of the six durable products. Since the study concerns the different roles played by various family members, the family was considered as the basic sampling unit. While selecting the sample items, care was taken to ensure that the families selected represent different income, age groups and professions, joint and nuclear families, those with single earning members as well as double income families. For the purpose of the survey, a family was defined as consisting of husband, wife, children (as child 1, child 2 and child 3), grandparents (as grandfather and grandmother) and any other member who did not fall in the above categories (as member A, B or C). The nomenclature of the family members depended upon the composition of the family. It is important to note that the age of a member has no bearing on the name given to him. In our study, the members were designated as husband, wife, etc, depending upon the number of generations in that household. The explanation to the above statement is provided as under.

Situation A: The family has only one generation. This family corresponds to either but honeymooners' stage or the empty nest stage of the family life cycle. The members in this case are classified as husband and wife.

Situation B: The family consists of two generations and corresponds to the full net stage of the family life cycle. First generation members are termed as husband and wife, while the second generation members are termed as children. It should be noted that the children in this family could be in any age group, they could be school going children or the adults, ready to get married.

Situation C: This type of family has three generations staying together. This is a prototype of Indian families, which has no parallels in the western classification of different stages of the family lifecycle. Here, the son in the situation B is married and is staying with his wife and children in the same home along with his parents. In this type of family, first generation members are referred as grandparents, second generation as husband and wife and third generation as children.

The study is confined only to the State capital of Thiruvananthapuram city alone. Thiruvananthapuram is a heterogeneous city, comprising people of all social classes. As the residents belong to different parts of the country, they follow different religions, speak different languages and exhibit different social attitudes and buying habits. Care was also taken to ensure that the sample reflected the general social characteristics of this non homogenous city. The families interviewed belong to all parts of the city. For the study, 323 buyers, who had purchased one of the six durable

products namely, audio system, car, personal computer, refrigerator, television and washing machine, were contacted.

Family size

The majority of families that were surveyed for the purpose of study had four members each. This was followed by families with three and five members each. This pattern is similar to that of a survey conducted by ORG, called the Indian Readership Survey, 1995, covering both urban and rural India. This revealed that 74 percent of the Indian households are nuclear and that a typical family across urban and rural India consists of 3.9 individuals.

Monthly Household Income

Majority of the families, who had recently purchased a durable product, either fell in more than Rs.25,0000 26.8 percent) or in the Rs.15,000-20,000) (26.6 percent) income bracket. This is followed by families, having a monthly household income of Rs.10,001-15,000 (17.8 percent) and Rs.20,001-25,000 (17.0 per cent). There are only 11.8 percent families, who have a monthly household income upto Rs.10,000.

Sample Profile

The family as a sampling unit was considered for the purpose of the study. Profile of the respondents is summarized in Table 1.1. 313 families, who had recently purchased one of the six durable products, were contacted. The members of these families were further identified as initiators, influencers, deciders' buyers and users of the product (s). Additional data were also collect separately to pinpoint the family characteristics of each respondent, who had actively played a particular role in the buying, decision. If two members from a family had actively played a particular role, then both the members were considered as respondents for the purpose of the study.

| Member | Role | | | | |
|--------------|----------------|----------------|----------------|----------------|----------------|
| | Initiator | Influencer | Decider | Buyer | User |
| Husband | 69(19.7) | 140(29.9) | 230(71.7) | 247(76.5) | 163(21.2) |
| Wife | 131(37.3) | 137(29.3) | 41(12.8) | 22(6.8) | 216(28.1) |
| Child – 1 | 107(30.5) | 120(25.6) | 31(9.7) | 33(10.2) | 179(23.3) |
| Child – 2 | 32(9.1) | 38(8.1) | 5(1.6) | 6(1.9) | 108(14.1) |
| Child – 3 | 2(.6) | 2(.4) | - | - | 29(3.8) |
| Grand Father | 1(.3) | 11(2.4) | 12(3.7) | 8(2.5) | 20(2.6) |
| Grand Mother | 4(1.1) | 7(1.5) | - | 1(.3) | 21(2.7) |
| Member A | 5(1.4) | 11(2.4) | 2(.6) | 6(1.9) | 25(3.3) |
| Member B | - | 2(.4) | - | - | 7(.9) |
| Total | 351 (100.0) | 468 (100.0) | 321 (100.0) | 323 (100.0) | 768 (100.0) |

Note: Figures in parentheses represent the percentages sampled respondents.

Husbands played the more active role of deciders and buyers for the purchase of a durable product. As regards initiators, children played the most active role, followed by the wives. The maximum respondents were user (768), followed by influencers (468), initiators (351), buyers (329) and deciders (321). In the present paper, the role played by buyer has been discussed in depth.

Statistical Tools

The roles, played by members of the family, varied with demographic parameters as well as with the types of products. This variation can be observed both within a role and across the roles. Some members are found to be more active only in certain roles. In this study, the Chi-square test was used to ascertain whether a significant relationship existed between the variables in a cross tabulation. Chi-square is the most widely used technique for data analysis in marketing research. Chi-square is a non-parametric test, and as such, no rigid assumptions are made. As a non-parametric test, Chi-square can be used: i) as a test of goodness of fit, and ii) as a test of independence. Statisticians have developed correction factors that, in some cases, allow using cells with expected frequencies of less than 5.

Member wise Status of Buyers

Out of a total of 323 buyers, the member wise classification is shown in Table 1.2

Table 1.2 Member-wise Status of Buyers

| Member | Frequency | Percent |
|--------------|------------|--------------|
| Husband | 247 | 76.5 |
| Wife | 22 | 6.9 |
| Child 1 | 33 | 10.2 |
| Child 2 | 06 | 1.9 |
| Grand father | 08 | 2.5 |
| Grand mother | 01 | 0.3 |
| Member A | 06 | 1.9 |
| Total | 323 | 100.0 |

As can be seen from the above table, the husband (76.5 per cent of the total cases) dominates the buyer's role in a family for the purchase of a consumer durable. The husband's role as a buyer is more prominent in comparison to the wife's role. Even children are acting as buyer more prominently compared to the wife.

Characteristics of Buyer

Demographic characteristics of the buyers are shown in Table 1.3.

Table 1.3 Characteristics of Buyer

| Characteristics | Frequency | Percent |
|----------------------------------|-----------|---------|
| SEX | | |
| Male | 296 | 91.6 |
| Female | 27 | 8.4 |
| AGE | | |
| Less than 25 years | 29 | 8.9 |
| 38 years | 98 | 30.3 |
| 56 years | 119 | 36.8 |
| More than 50 years | 7 | 23.8 |
| EDUCATION | | |
| > Graduate | 101 | 11.2 |
| Post graduate | 116 | |
| Professional e.g. MBBS, CA, etc. | 106 | |
| OCCUPATION | | |
| Govt. Service | 105 | |
| Own Business | 111 | |
| Working in Pvt. Concern | 71 | |
| Others | 36 | |

From the table, it can be inferred that a buyer of a consumer durable is more likely to be a male member over 30 years of age, reasonably well educated and having a government job or running his own business. Male members dominate the role of the buyer. A buyer's role involves activities outside home, where one has to go physically to purchase the product. Traditionally, in the Indian families, all activities, outside the home, fall in the domain of the male members, although it is changing fast. Maximum number of buyers falls in the age group of 36 – 50 years, which could mean that this responsibility is taken up by a more mature and experienced family member. A buyer has to understand the requirements of different members about the product select the place of purchase, negotiable with the dealer and purchase the product.

Buyer Member VIS-À-VIS. The Product Purchased

It was decided to find out, if the member in the buyer's role change with different products, or the same pattern is applicable universally for all consumers durable. A cross tabulation of the buyers vis-à-vis the product purchased was done. This is shown in Table 1.4. Since the buyer's role has been predominantly played by the husband, for statistical reasons, it was decided to divide the family members into two parts viz. husband and others (which include wife, children, grandparents and other relations).

Tale 1.4 Buyer Member Vis-à-vis Product Purchased

| Purchased Product | Buyers | | |
|----------------------|---------------|--------------|----------------|
| | Husband | Others# | Total |
| Audio-system | 39 (69.6) | 17 (30.4) | 56 (100.0) |
| Car | 51 (94.4) | 3 (5.5) | 54 (100.0) |
| Personal Computer | 33 (73.3) | 12 (26.7) | 45 (100.0) |
| Refrigerator | 48 (81.4) | 11 (18.6) | 59 (100.0) |
| Television | 32 (58.2) | 23 (41.8) | 55 (100.0) |
| Washing Machine | 44 (81.5) | 10 (18.5) | 54 (100.0) |
| Total | 247 (76.5) | 76 (23.5) | 323 (100.0) |
| Chi-Square = 23.15** | | | |

**Significant at .01 level, Figures in parameters represent the percentages

Others comprise of wife, children, grand parents and other members.

Although husband is undoubtedly more prominent in the buyer's role, a relatively higher proportion of other members has been the buyers in case of audio system (30.4 per cent), personal computer (26.7 per cent) and television (41.8 per cent). In case of car, it seems to be an all husband affair with other members contributing a mere 5.5 per cent to the buyers role. It is interesting to note that, in both the wife dominated products, namely, refrigerator and washing machine, a relatively higher proportion of husband have acted as the buyers. Chi-square test shows a significant difference in the members playing buyer's role with different products.

Buyer's Product – Rating

It is important to note that how much is the buyer members clear about different aspects of the purchase, when he sets out to purchase the product. Buyers were asked to rate on a five point scale about the clarity on different aspects when they went to purchase the product. The buyers rating on the aspects is shown in Table 1.5

Table 1.5 Buyer's Product-Rating

| Buyer's Rating | Features | Brand | Price Range | Where to buy from |
|--------------------|---------------|---------------|---------------|-------------------|
| Absolutely Clear 5 | 197 (61.0) | 232 (71.8) | 190 (58.8) | 163 (50.5) |
| 4 | 89 (27.6) | 65 (20.1) | 80 (24.8) | 76 (23.5) |
| 3 | 32 (9.9) | 18 (5.6) | 38 (11.8) | 48 (14.9) |

| | | | | |
|--------------------|-----------|------------|-------------|-------------|
| 2 | 2 (.6) | 4 (1.2) | 3 (0.9) | 15 (4.6) |
| 1 not clear at all | 3 (.9) | 4 (1.2) | 12 (3.7) | 21 (6.5) |

Note: Figures in parentheses represent the percentages

It can be seen from the table that a reasonably large proportion of the buyers have clarity about the features of the product and the brand to be purchased. The buyers were also moderately clear about the price to be paid for the product but relatively smaller proportions of the buyers were clear about the place to purchase the product from. For a marketer, who has to decide between the pull and push strategy for his consumer durable brand, it is important to note that 71.8 per cent of the buyers are absolutely clear about the brand to be purchased. Another 20.1 per cent also have a reasonable clarity about the brand, leaving only 8.1 per cent of the buyers to be influenced by the dealer at the point of purchase.

Regarding the features of the product and the price to be paid, it seems that there is a reasonable clarity among the large number of buyers. It is likely that they have a short list of the features they want in their product and have a price range within which they expect the product to fall. Number of buyers, who are clear about the place of purchase, is relatively lower, when compared to other factors. This could reflect the loyalty towards the dealers and retail counters. There are several factors which can be considered, while selecting the outlet for the purchase of a consumer durable. Some of the important factors are proximity, past experience, prominence of the showroom, display of products, brands and behavior of the dealer and the sales person.

Family members accompanying the Buyer

Purchase of a consumer durable product is a special occasion in a family. A lot of excitement is expected and it is likely that other members of the family may accompany the buyer to actually purchase the product. Table 1.6 shows family members who accompanied the buyer. Table 1.6 depicts the various combinations of the family members, who had gone to actually purchase the consumer durable product for the family. It can be seen from the table that there are 17 such independent combinations of family members. Out of the 313 cases of purchases in 58.5 per cent cases, two members, in 23.12 per cent cases, only one member in 15.02 cases, three members and in 1.9 per cent cases, four members had gone for the purchase. It is significant that out of 73 single member cases, in 29 cases (39.7 per cent) there were children. Also, when seen in the context, where the children were buyer in 75 per cent cases, they went to purchase the product alone. This shows that a large proportion of the children preferred to shop alone.

Table 1.6 Member Groups who went for the purchase

| Members who went for the purchase | Frequency | Percent |
|---|-----------|---------|
| Alone | 38 | |
| With wife only *** | 98 | 39.68 |
| With Children only**** | 56 | 22.62 |
| With Grandparents only* | 4 | 1.68 |
| With Other members only | 6 | 2.44 |
| Together with wife and children | 35 | |
| Together with wife and Grandparents | 4 | 1.62 |
| Together with wife and other member | 1 | 0.40 |
| Together with Wife and children and other Member | 1 | 0.40 |
| Together with wife and children and grandparents | 4 | 1.62 |
| Buyer Member : Wife N = 22 | | |
| Alone | 4 | 18.18 |
| With Husband only | 9 | 40.91 |
| With Children | 5 | 22.73 |
| With Husband and Children | 3 | 13.64 |
| With Husband and Grandparents | 1 | 4.55 |
| Buyer Member : Children N = 39 | | |
| Alone | 29 | 74.36 |
| With Husband | 7 | 17.95 |
| With Wife | 3 | 7.69 |
| Buyer Member : Grandfather / Grandmother N = 9 | | |
| With Husband | 1 | 11.11 |
| With Wife | 1 | 11.11 |
| With Children | 4 | 44.44 |
| With Husband and Wife | 2 | 22.22 |
| With Husband and Wife and Children | 1 | 11.11 |
| Buyer Member, Other Members N=6 | | |
| Alone | 2 | 33.33 |
| With Husband | 1 | 16.67 |
| With Children | 2 | 33.33 |
| With Husband and Wife | 1 | 16.67 |

Note: Number of stars (*) in the table represent the repetition of the groups where both the members claimed to be the buyers. There are ten such cases. Therefore, total number of different groups, after correcting for above mentioned duplicity, is 313, same as total number of families.

When we look at the most preferred companion, we find that the wife has accompanied one or the other member in 45.6 per cent cases, while the children have gone along with others in 35.5 per cent cases. When wife was the buyer, she

had husband as companion in 59.1 per cent cases, whereas only 17.95 children as buyers preferred to take the father along. We can also see that wife and husband as buyers found each other as the most preferred partners, whereas the children went alone to purchase the product. When we relate the buyer members with different products (Table 1.4) the above mentioned finding has important implications for the marketer and the retailer as well. They can decide their services and selling strategies accordingly for different products.

Dealer's Opinion at the time of Purchase

At the time of purchase, the buyer is exposed to the influence of the dealer at the retail outlet that can change his decision about the product. It should be understood that the dealer is likely to have his own interests, while selling his merchandise. Margins available to a dealer vary with brands, depending upon the incentives given by the manufactures. This further depends upon the sale that the dealer is able to make of a particular brand. It is obvious then that the dealer may try to change the decision of the buyer into buying a brand or a model in which he makes higher margins. It should also be noted that the dealer is also an expert about the consumers durable products and the buyer is likely to consult the dealer on certain aspects Table 1.7 shows the frequency of the buyers, who consulted the dealer at the time of purchase.

Table 1.7 Dealer's opinion at the Time of Purchase

| Opinion of the Dealer | Frequency | Percent |
|-----------------------|-----------|---------|
| Yes | 202 | 62.5 |
| No | 121 | 37.5 |
| Total | 323 | 100.0 |

It can be seen from the table that a large proportion of the buyers consulted the dealer (62.5 per cent) for his opinion regarding the product to be purchased. When we consider the clarity of the buyers on various aspects (Table 1.5), we see that some percentage of the buyers is not totally clear about certain aspects, when they set out to purchase the product. These buyers are likely to consult the dealer before they finally make up their mind.

Effect of discussion with Dealer

Buyers were asked if their decision about the product purchased changed after discussion with the dealer. Table 1.8 shows the views of the buyers with regard to the discussion with the dealer.

Table 1.8 Discussions with the Dealer

| Decision Change | Frequency | Percent |
|-----------------|-----------|---------|
| Yes | 42 | 21.0 |
| No | 160 | 79.0 |

We can see from the table that 79 percent of the buyers did not change their decision about the product after discussion with the dealer. However, 21 percent did change their

decision to some extent (brand or model) after taking dealer's opinion. This is an important feedback for the marketers that the dealers can not be totally ruled out, if they can sway the decision of 21 percent of the buyers. Hence, it is also important for the marketers to ensure that they have satisfied channel partners.

Conclusion

Buying of a consumer durable product is an important occasion in several Indian families, and it is considered auspicious to purchase a product during important festivals like Onam or Vishu. Buyer is expected to be clear about different aspects of the product and has to select one that shall meet the expectations of several members in the family. He is also exposed to the influence of the retailer. The member in the role of a buyer is more likely to be a male, mostly husband, over 30 years of age and reasonably well educated. More than one person act as buyers in a family, in case of a conflicting situation, but such instances are only a few. Whether it is the husband or any other family member in the buyers role depends upon the type of the product to be purchased. Whereas husband is predominantly the buyer in case of a car, wife's domain include refrigerator and washing machine, a large number of other members act as buyers of audio system, personal computer and television. Most of the buyers were clear about the features and the brand of the product to be purchased. Relatively smaller proportion of the buyers was clear about the place to purchase the product from. In most of the cases, the buyer was accompanied by one or more members; however, the number of accompanying persons for the purchase was as high as four. Husband and wife as buyers, found each other as the most preferred partner for the purchase. A large per cent of children as buyers preferred to shop alone. Although a large number of buyers took the opinion of the dealer, most of them did not change their decision. This is an important

feedback for the marketer to decide between the push and pull strategy. Although the dealer cannot change the opinion of most of the buyers, a satisfied channel partner can go a long way in strengthening a brands perception in the mind of the consumer.

References

- Churchill, Gilbert A (1991) Marketing Research, Methodological Foundations, Dryden Press, pp. 702 – 715.
- Dhawan, Polomy (1996) Clues to Change: IRS 1995, Advertising and Marketing Vol. 15, March pp24-31.
- Kotler Philip (2000), Marketing Management - Analysis, Planning, Implementation and Control, Prentice Hall of India, New Delhi.
- Levin, Richard I. and Rubin, David S (1992), Statistics for Management, Prentice – Hall of India, New Delhi, pp. 416-427.
- Mowen; John C (1993) Consumer Behaviour, Macmillan publishing Company, New York.
- Schiffman, Leon G and Kanuk, Leslie Lazar (1997) Consumer Behaviour, Prentice Hall of India, New Delhi, pp. 347-348.
- Tull, Donald S and Hawkins, Dell (1984) Marketing Research: Measurement and Method, Macmillan, New York pp. 481-485.
- Wilkie, William L (1994) Consumer Behaviour, John Wiley and Sons, New York, pp 399- 400.
- Yadav, Surendar S. and Yadav, K.N.S (1995) Statistical Analysis for Social Sciences, Manak Publications, Delhi, pp. 195-223.
- Zeisel, Hans (1968) say it with Figures, Harper and Row, New York, p. 28.



RETENTION OF TALENTS IN THE INDIAN HOSPITALITY SECTOR: A STUDY WITH REFERENCE TO 5 STAR DELUXE HOTELS IN BANGALORE

Indranil Mutsuddi*

ABSTRACT

With the Indian hospitality sector facing the challenge of tremendous growth in the coming years, retaining the best workforce to sustain organizational growth and competitiveness had become strategically important. This paper makes an attempt to study the opinion of the employees working in 5 star deluxe hotels in Bangalore with respect to various issues and factors influencing talent retention in these organizations. The study has revealed that variables like those of organizational image, working conditions, reward strategy & career advancement, group cohesiveness and peace of mind were identified to be important retention variables preferred by respondents.

Keywords: Talent Volatility, Indian hospitality sector, super keepers, keepers, talents, employability brands

INTRODUCTION

The hospitality sector in India is undergoing a tremendous boom, with the nation emerging a key market, business hub and tourist destination. Today the hospitality sector is one of the fastest growing sectors in India. It is expected to grow at the rate of 8% between 2007 and 2016. In recent times, Bangalore being popularly known as the "Silicon City" of the country had attracted overseas clients, businessmen, investors from all parts of the globe. With more and more International hotels like Hyatt, Sheraton, Radisson, Marriott etc already established in the Indian market, the future seems to be very bright for the sector. 5 star deluxe Hotels in Bangalore in this context had not only faced the daunting task of improving and pulling up their performance standards in terms of benchmarking International quality, but the real challenge had been to retain and engage employees with most organizations in the hospitality sector in the country being skeptical regarding sky high attrition rates. Retention and management of human capital and particularly the identification, selection, development and retention of the "talents" of an organization had become a daunting task for the HR professionals (Mutsuddi, I., Mutsuddi, R., 2008). The hospitality sector in India had been no exception. In a cut throat competitive business environment, where rivals are bidding for one another's best employees, luring away the "talents" with sky-high compensation packages and benefits – savvy corporations need to understand the competitive value of their so called "super keepers" and "keepers" and develop a strategic perspective to cater the challenges posed by the new business environment. The present study aims to identify and analyze various issues influencing talent retention in the Indian hospitality sector.

LITERATURE REVIEW

According to a study conducted by a committee constituted by the Karnataka Minister of Industries, the hospitality sector provides the highest employment-investment ratio – every

additional investment of Rs 10 Lakh has the potential to generate 47 jobs and every direct job leads to creation of 11 indirect jobs. According to Mr. P.K. Mohankumar, Ara Director, Bangalore and GM, The Taj West End the hotel industry in Karnataka recruits 50,000 to 75000 employees – skilled, semi-skilled and unskilled – every year. The hotel sector is registering an annual growth rate of 5% (Chandramouly, A, 2007). In spite of this, a report prepared by the Associated Chambers of Commerce & Industry of India (Assocham) have revealed that the attrition rate in the Indian hospitality sector is set to double to nearly 50% by 2010, up from 25% growing at an alarming rate of 10% per annum (Parashar, P., 2008). There has been a report that the hotel industry, most, has also been suffering for losing their professionals even at the top management level. Supporting this view, Manbeer Chaudhary, president, Federation of Hotel & Restaurant Association of India (FHRAI) commented, "The industry leaders are worried about losing qualified trained professionals to outer shores. Even the top level management of hotels is feeling the pinch of attrition." With employee turnover figure in the hospitality industry expected to figure to a whopping 50% by the year 2010, the situation has been identified to be enough so as to make employers lose sleep over the tangible and intangible costs of employee turnover (Naidu, V., 2007). Turnover in a sector like that of hospitality sector which is largely dependent on people capabilities has an immediate effect, particularly in customer service-dependent areas of the business. Taking this perspective into consideration, the organizations belonging to the hospitality sector had understood the strategic importance of retaining their talents in order to maintain their competitiveness in the highly volatile business environment.

There are obvious benefits of managing effectively employee retention (talent retention), and these are well documented

*Senior Faculty, MBA Department, Acharya Institute of Management & Sciences, Bangalore, India

academically (Ross, J.N., 2007). Ross, J.N. (2007) in his article has mentioned that the industry's challenge is that only 30% of hotel school graduates stay in the industry two years after graduation. One solution against this low retention statistic is to provide entry-level roles that match their expectations and also cater to their development needs. From a graduate's perspective, frustrations are evident where employers do not consider the right way to manage and control their expectations. Ross (2007) believes that, the majority merely seeks an element of recognition and discussion around what they may or may not be capable of, and what areas of development would benefit both graduate and employer. A similar study has been previously done by Scott and Revis (2008). The paper emphasized mainly on the notions of talent from both an organizational and hospitality graduate perspective. The study concluded by providing a framework to aid deeper understanding of implications and practical applications with respect to the hospitality sector and emphasized on the need for committed, professional, motivated and developed graduates in the attainment of immediate and long-term organizational objectives. One research in terms of the Indian perspective has shown that there is a strong correlation between happy employees (talents) and satisfied customers and therefore organizations should leverage on this (Sinha, P., Ramakrishna, S., 2006).

Statement of the Problem

In a recent report, HVS Dubai analyzed the development of the tourism industry in the Middle East (Choufany, H.M. 2008) and highlighted the staggering growth this region is experiencing in both supply and demand. The publication had also revealed that, regional hoteliers, nowadays and even more in the near future, will find themselves struggling to attract the right personnel (Mumford, C., Mielke, T., 2008). In addition it appears that qualified intellectual capital is being increasingly inclined to leave the industry after a couple of years of employment in the hotel sector, which further fosters the so called "war of talents". The issue of strategic concern for these organizations therefore lies not only in the attraction of talents but also in the retention of the right talents. Taking this perspective into consideration and with the lack of enough published research publications with respect to the Indian hotel sector; an attempt has been made in the present study to analyze various issues, factors influencing talent retention in 5 star deluxe hotels in and around the city of Bangalore.

Scope of the Study

The study was conducted keeping in mind the various employees working in 5 star deluxe hotels in and around the city of Bangalore. The employees mainly belonged to the various operational divisions such as front office, production, food and beverage services, housekeeping and so on. The opinions of the respondents were taken by contacting them personally through interviews and telephonic conversations. The research would focus on studying the opinion of the

respondents on the retention initiatives taken by the management of respective organizations. The study would help to have a bird's eye view on the various issues affecting talent retention strategies in the 5 star deluxe hotels in Bangalore and this would definitely help HR heads of the hospitality sector identify their shortcomings and strategize for their futuristic human resource growth and development.

OBJECTIVES

The objectives of the study were as follows:

- To study and analyze the various issues/dimension influencing talent retention in 5 star deluxe hotels in Bangalore.
- To analyze employee opinion on working conditions and environment in 5 star hotels
- To assess and analyze whether respondent demographic variables had any significant association with employee retention dimensions in 5 star deluxe hotels

Research Design

The study was based on descriptive research design and involved administering questionnaire as a tool for research by taking the response of the employees working in various 5 star deluxe hotels in Bangalore. In order to fulfill the objectives of the study, the data was collected from both the primary and secondary sources, namely:

Primary Data

The primary data was collected by means of questionnaire administration. The respondents were contacted through personal interactions outside their organizations as well as through telephonic conversations/interviews.

Secondary Data

The secondary data was collected from internet resources, journals, Magazines, etc.

The Population

The population of the study included all employees working in 5 star deluxe hotels in Bangalore.

The Sample

The sample consisted of 80 employees from various 5 star deluxe hotels in Bangalore. The respondents were contacted through personal interactions outside their organizations as well as through telephonic conversations/interviews.

Sampling Method

Convenience sampling was used to collect the opinion of the respondents.

Data Analysis

The data collected from the study were analyzed by the use of SPSS and MS-EXCEL applications. Data interpretation was done using statistical tools such as mean scores,

standard deviation, t-test, chi-square test etc.

FINDINGS OF THE STUDY

Profile of the Respondents Out of the sample of 80 respondents, the profile details of the respondents can be represented by table 1.

| Items | | Frequency | Percent | Valid Percent |
|-------------------------------|-----------|-----------|---------|---------------|
| Gender of Respondents | Male | 64 | 80.0 | 80.0 |
| | Female | 16 | 20.0 | 20.0 |
| | Total | 80 | 100.0 | 100.0 |
| Age Group | 20-30 yrs | 28 | 43.75 | 43.75 |
| | 30-40 yrs | 20 | 31.25 | 31.25 |
| | 40-50 yrs | 9 | 14.06 | 14.06 |
| | 50-60 yrs | 7 | 12.50 | 12.50 |
| | Total | 80 | 100.0 | 100.0 |
| Annual Income | <1 Lakh | 2 | 2.5 | 2.5 |
| | 1-2 Lakhs | 54 | 67.5 | 67.5 |
| | 2-3 Lakhs | 16 | 20 | 20 |
| | >3 Lakhs | 8 | 10 | 10 |
| | Total | 80 | 100.0 | 100.0 |
| Number of Dependents | None | 40 | 50.0 | 50.0 |
| | 1 | 32 | 40.0 | 40.0 |
| | 2 | 8 | 10.0 | 10.0 |
| | 3 | 0 | 0 | 0 |
| | >5 | 0 | 0 | 0 |
| | Total | 80 | 100.0 | 100.0 |
| Marital Status of Respondents | Married | 8 | 10.0 | 10.0 |
| | Single | 72 | 90.0 | 90.0 |
| | Total | 80 | 100.0 | 100.0 |

Table 1 depicts that most of the respondents are in the age-group of 20-30 years, and fall in the annual income category of Rs 1-2 Lakhs. Majority of the respondents (50%) had no dependents in their family, followed by 40% having one dependent. Apart from these 90% of the respondents were single.

Respondent Opinion Regarding Organizational Working Environment

Respondents were asked to give their opinion on a 5 point Likert scale regarding the level of their agreement or disagreement (1= strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree) regarding various issues influencing the working conditions in their organizations that would influence their engagement and stay. Figure 1 depicts the opinion of the respondents on these factors influencing the working environment in 5 star deluxe hotels.

Employee Perceptions on Working Conditions

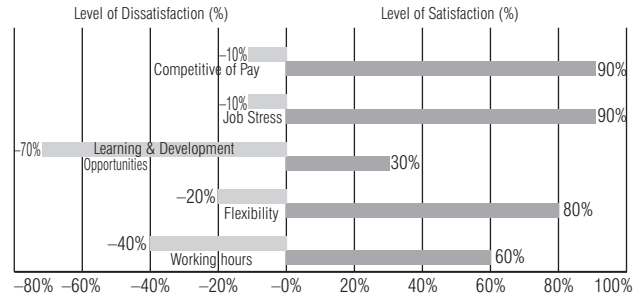


Fig: Respondent opinion regarding organizational working environment

It is evident from fig 1 that, majority of respondents were satisfied with Competitiveness of their pay, stress and flexibility of working. 70% respondents were dissatisfied with learning and development opportunities, whereas 40% were unhappy regarding working hours in the 5 star deluxe hotels. Hence it can be said that 5 star deluxe hotels in Bangalore are perhaps doing well in terms of compensation, inculcating flexibility in jobs and managing work stress. But in terms of training and development & working hours it seems that the employees needed more improvement. Working conditions definitely plays a vital role in employee satisfaction and motivation and thereby affects the retention strategy deployed by these organizations.

Factors influencing Employee Retention in 5 Star Hotels in Bangalore

Employee retention in 5 star hotels is influenced by a number of factors such as, HR policy, organizational image, responsibility, job difficulty, supervisory support, etc. In this study, a list of ten variables was identified relevant for analyzing respondent perceptions on retention strategies taken by their employers. The respondents were asked to rank the importance attached to the variables with respect to the five shops on a five point scale. Score '1' was assigned to the case where the event asked was "true to almost no extent", '2' to "True to small extent", '3' to "True to some extent", '4' to "True to a great extent", and '5' to "True to very great extent". Based on the ranks assigned mean score and the corresponding standard deviation were calculated and the findings for the same are presented below in table 2;

Table 2 Variables influencing employee retention in 5 star deluxe hotels in Bangalore

| Retention Dimensions | Mean | SD | Rank |
|---|------|--------|------|
| Organizational Image | 4.5 | 0.001 | 8 |
| Compensation/Reward Strategy & Career Advancement | 4 | 0.0023 | 9 |
| Job Difficulty | 3 | 0.053 | 10 |
| Supervisory Support | 2.75 | 0.479 | 2 |
| Job requirement & Competency Mismatch | 3.15 | 0.761 | 7 |

| | | | |
|--------------------|------|-------|---|
| Group Cohesiveness | 3.75 | 1.279 | 1 |
| Working Conditions | 4.5 | 0.001 | 3 |
| Autonomy | 2.75 | 0.747 | 6 |
| Welfare | 3 | 2.365 | 4 |
| Peace of Mind | 3.5 | 1.34 | 5 |

It is evident from above that, organizational image, working conditions, reward strategy & career advancement followed by group cohesiveness and peace of mind were having higher mean scores amongst factors influencing employee retention. Dimensions such as autonomy, supervisory support had low mean scores. Job difficulty, Welfare and job requirement & competency mismatch had moderate scores. It is further observed that, the respondents have ranked group cohesiveness, followed by supervisory support; working conditions and welfare were identified as the most needed dimensions influencing employee retention in 5 star deluxe hotels.

Role of Demographic Variables on Retention Dimensions

While analyzing the data, an attempt was made so as to analyze the influence of select demographic variables viz., gender, age, marital status, income level and number of dependents on the ten dimension influencing employee retention. The influence of the these demographic variables on employee perception regarding retention dimensions were analyzed by chi-square test using the following hypothesis tested at 5% significance level;

H₀: Respondent demographic variables have no significant association with retention dimensions.

H₁: Respondent demographic variables had significant association with retention dimensions.

Table 3: Chi-square Table Depicting Association of Demographic Variables with Retention Dimensions

| Variables | Gender | Age | Marital status | Annual Income Level | No. of dependents |
|--|--------|----------------------------|----------------|---------------------|-------------------|
| Organizational Image | 13.31 | 29.43 (P value =0.005) | 13.42 | 23.42 | 13.31 |
| Compensation/ Reward Strategy & Career Advancement | 9.872 | 6.883 | 9.928 | 19.54 | 8.505 |
| Job Difficulty | 6.243 | 17.177 | 16.824 | 22.465 | 18.051 |
| Supervisory Support | 8.965 | 28.697 (P value =0.093) | 12.33 | 14.763 | 17.130 |
| Job requirement & Competency Mismatch | 16.236 | 16.932 | 6.329 | 27.466 | 28.356 |

| | | | | | |
|--------------------|--------|--------|----------------------------|----------------------------|--------|
| Group Cohesiveness | 12.243 | 18.213 | 27.857 | 12.495 | 15.216 |
| Working Conditions | 14.638 | 17.856 | 22.418 (P value =0.033) | 27.276 | 9.745 |
| Autonomy | 19.276 | 18.745 | 8.456 | 6.376 | 23.567 |
| Welfare | 26.876 | 12.336 | 32.05 (P value = 0.001) | 9.455 | 16.438 |
| Peace of Mind | 29.375 | 33.784 | 18.954 | 26.483 (P value =0.090) | 18.947 |

Hence it is clear from the above table that age of the respondents had a significant association with the retention variable organizational image and supervisory support. Marital status had significant association with retention dimensions such as working conditions and welfare provided by the 5 star deluxe hotels. Annual income level had significant association with peace of mind. Other demographic variables had no significant association with various retention dimensions.

DISCUSSIONS

Keeping in mind, the enormous untapped potential in India's hospitality sector, there is a perceived need for the management of organizations belonging to this sector to redefine their people management strategies. For an industry like hospitality services, which is primarily dependent on people capabilities, leveraging and tapping human potential would be crucial for achieving organizational excellence. Hence retaining the best talents to steer organizational growth in the increasingly competitive business environment would become highly important. The present study with respect to employee opinion regarding talent retention in 5 star deluxe hotels in Bangalore has revealed interesting findings.

People working in 5 star deluxe hotels have clearly expressed their dissatisfaction on training and development opportunities that could cater to their career growth and development. Working hours also received dissatisfaction. On the other hand variables like those of organizational image, working conditions, reward strategy & career advancement, group cohesiveness and peace of mind were identified to be important retention variables preferred by respondents. Out of all these group cohesiveness, followed by supervisory support, working conditions and welfare were identified as the most needed dimension influencing employee retention in 5 star deluxe hotels. Further respondent demographic variables such as age had significant association with retention dimensions such as organizational image and supervisory support. Similarly marital status had significant association with working conditions and welfare as retention dimensions. Peace of mind had significant association with annual income level of the respondents.



Hence it is clear that retention strategies with respect to 5 star deluxe hotels in Bangalore need special attention in terms of taking up a talent development strategy so as to fruitfully engage more and more talented professionals seeking their careers in this sector. Unless and until organizations can create a purposeful vision and a prospective career for their employees, attrition rates in this sector would keep climbing and employees would keep on migrating for greener pastures for better career opportunities. Value addition should be given to people rather than on the process or the systems. Personnel or HR policies have to be reinvigorated by clearly defined talent management programs meticulously designed and customized for various categories of employees matching their individual expectations and competencies. Indian premier hotels thereby must emphasize on creating:

- A learning environment that embraces positive challenges and stimulates self development at the workplace
- A fearless environment where people can communicate and collaborate with one another (Mutsuddi, I., Mutsuddi, R., 2008a),
- A proactive talent development strategy tailor-made to cater and address the developmental needs of talents,
- New ways of looking at more into the personal problems and needs of the employees
- An organizational culture that effectively facilitates the growth of talents.

CONCLUSION

The paper has clearly revealed the importance of delivering a great employee value proposition as one of the best ways to retain the talents in the Indian hospitality sector. The scope of talent retention as a strategic need of the organization thereby should be deemed to extend beyond the traditional people management domains. Areas such as, talent development and nurturing should be considered strategically important rather than being an administrative or procedural requirement. Accepting attrition as "talent-volatility" could also be a major opportunity for organizations as more and more capable human resources could be available for the best talent nurturing organization. Developing a culture appreciating innovative employee practices, fostering attractive remuneration packages, flexible benefit programs and creating a "Talent-nurturing"

culture can reposition organizations with better employability brands as compared to their business rivals. Organizations in India belonging to the hospitality sector with their tremendous growth potential in the coming years need to harness this as opportunity rather than as a deficiency of their HR practices.

REFERENCES

- Chandramouly, A, (2007): "Job-investment Ratio Highest in Hospitality Sector", Business Line, May 3rd 2007, <http://www.thehindubusinessline.com/2007/05/03/stories/2007050300861300.htm>
- Choufany, H.M. (2008): "Middle East Hotel Survey", <http://www.hvs.com/library/Articles/?Region=9>
- Mumford, C., Mielke, T., (2008): "The Mental Shift to Y", Hospitality Trends, August 2008 issue, <http://www.htrends.com/trends-detail-sid-3341.html>
- Mutsuddi, I., Mutsuddi, R., (2008): "Retaining Intellectual capital in High Performance Organizations: Emerging Roles of HR professionals", Global Management Review, Vol: 2, Issue: 3, May 2008, pp: 16-22.
- Mutsuddi I, Mutsuddi, R., (2008a): "Retaining Talents: The Key to Knowledge Organization", The ICFAIAN Journal of Management Research, Vol: VII, No: 7, June 2008 Issue, pp: 73-84.
- Naidu, V., (2007): "Reducing Employee Turnover in Hospitality", <http://www.articleclick.com/Article/Reducing-employee-Turnover-In-Hospitality/600>
- Parashar, P. (2008): "High attrition hits hospitality sector", February 18th, 2008, Financial Express, India, <http://www.financialexpress.com/news/high-attrition-hits-hospitality-sector/274279/>
- Ross, J.N., (2007): "Retaining Hospitality Graduates: Employer, Graduate and Recruitment Perspectives", http://www.hotel-online.com/News/PR2007_3rd/July07_RetainGrads.html
- Scott, B., Revis, S., (2008): "Talent Management in Hospitality: Graduate career success and strengths", International Journal of Contemporary Hospitality Management, Vol: 20, Issue: 7, pp: 781-791.
- Sinha, P., Ramakrishna, S., (2006): "Keeping your assets intact", HRM Review, The ICFAI University Press, January 2006 issue, Vol-VI, Issue:I, pp: 57-61.

DOES BRAND IMAGE INFLUENCE RETAIL STORE IMAGE?

Priyanka Mokshmar*

ABSTRACT

Retail stores operating in current scenario has many challenges to face including the major challenge of attracting the customers to the outlet. Many factors together contribute to the increased footstep in a retail store. One of the major factors among these is the brands that are being showcased and sold in the retail store. The current paper attempts to study the influence of number of recognizable brands available in a store on the consumer's perception of the retail store image.

Key words: Retail Image, Brand Image, Customer Perception

INTRODUCTION

The current market scenario has given very high importance to the concept of brand image. Marketers today have realized the importance of high brand recognition among target customers of the market. They now strategically plan to develop brand equity and retain a very high position in the minds of the customer. Branding and brand-based differentiation are powerful means for creating and sustaining competitive advantage. Prior research has examined differences in how consumers perceive and evaluate brands, for example, through investigating brand equity (Keller 1993; McQueen, Foley, and Deighton 1993), brand personality (Aaker 1997; Plummer 1985) and brand extensions (Aaker and Keller 1990; Nakamoto, MacInnis, and Jung 1993). More recently, researchers have noted that consumers differ not only in how they perceive brands but also in how they relate to brands (Fournier 1998; Muniz and O'Guinn 2001). In this line it has been observed that very few researches have been conducted to study the link between brand image and retail store image. Retail image is actually a link between the functional qualities of the store and the psychological meanings that the customer gives to these features. There have been many researches in past to identify the factors affecting the retail store image and retail store choice decision making process among the customers. The researchers have identified fashion, selection and quality of merchandise, customer services and sales personnel; and the physical conditions and atmosphere of the store (Lindquist, 1974-1975; Martineau, 1958; Zimmer and Golden, 1988). A plethora of studies have been conducted on the meaning and measurement of image (Kunkel and Berry, 1968; Lindquist, 1974- 1975; Marcus, 1972; McDougall and Fry, 1974-1975) and attribute importance in retail store selection (Hansen and Deutscher, 1977-1978; Stephenson, 1969). As a consequence of this exploratory research, considerable knowledge has been accumulated about how consumers make store choice decisions given a set of store attribute preferences.

However, little is known about how these preferences have been formed.

Review of Literature

There are not many research studies that has been conducted to study the relationship between the three major concepts discussed in the research paper i.e. Retail Image, Brand Image and Customer Perception, but many has been conducted studying the concepts independently.

Retail Image

Baker et al. (1994) defined retail image as an individual's cognitions and emotions that are inferred from perceptions or memory inputs that are attached to a particular store and which represent what that store signifies to an individual. Retail Store image is a concept which originated from the concept of retail store personality (Pierre Martineau, 1958). Since then many research scholars have further added to this field of study and implied that the retail store image does have influence over the store patronage and their shopping behavior. Keaveney and Hunt (1992) added to the existing body of retail image and suggested that retail store image is an overall impression of a store perceived by consumers. Baker et al. (1994) found that the inferences that the buyers make about the merchandise quality of a store directly influences the retail image. Hence retail store image although is formed by many factors influencing directly or indirectly marketers mainly need to focus on the factors that have direct influence in forming the perception about the retail store in the mind of the customer. Several researchers have focused their interest on the determinants of store loyalty such as store atmosphere, store images, store satisfaction, service quality, perceived value, and attitudes toward a store (e.g. Bloemer and Odekerken-Schroder, 2002; Koo, 2003). From these studies they have found that people shop for both hedonic and utilitarian outcomes. Hedonic shopping motivations (HSM) are primarily based on the quality of the

*Senior Lecturer, Sanghvi Institute of Management & Science, Indore, INDIA



shopping experience rather than information gathering or product purchasing (Boedeker, 1995). Consumers also view a store as a place not only for shopping but also for other activities such as socializing with friends or browsing without purchasing products (Bloch et al., 1994). The multiple motives in a single shopping trip indicate the entertaining capabilities of shopping (Ibrahim and Ng, 2002). Therefore, the entertainment aspect of retailing is viewed as a key competitive tool (Arnold and Reynolds, 2003), and retailers have shifted their focus on improving the entertainment dimension of their outlets. Despite this trend, little attention has been paid to the HSM of consumers (e.g. Arnold and Reynolds, 2003; Jin and Kim, 2003). In addition, research on shopping motives and their relationships with retail outcomes has mainly been undertaken in the USA and European countries (Jin and Kim, 2003; Li et al., 2004). Little attention has been paid to transitional markets like Vietnam, where supermarkets are still a new retailing system, appealing primarily to upper class consumers in urban areas of the country. Compared to traditional outdoor markets, supermarkets provide shoppers with a wide range of goods, from food to consumer durables. More importantly, shoppers can search for current trends and fashions in the market. Supermarkets also offer shoppers several other entertainment services such as coffee shops, restaurants, and games for children (Nguyen and Nguyen, 2003).

Brand Image

Brand image refers to the perception related to the brand in the mind of the customer. To build positive brand image among the customers; marketers develop variety of associations and concepts related to the product. This emotional association between the brand and the customer helps marketer to develop customer loyalty. Schiffman (1997) suggested that positive association of customer with the brand is developed with an assumption that this will lead to customer loyalty, customer belief about positive brand value and willingness to search for a brand. A positive brand image also makes customer work for promoting the brand and against the competing brands. Brand identity when discussed from the customer point of view becomes brand image. Hence, marketer need to work on developing an identity of the brand with strong values, soul and essence so that customers can identify with the brand and the brand doesn't have to strive for getting in the life of the customer at every purchase. Olshavsky (1985) emphasized that the image of the brands that the retail store carry often serves as an informational cue used by buyers to form inferences about a store's merchandise quality. Thus, the image that the brand carries among the mass is transferred to the image of the retail store carrying the brand. Brand image is of strategic importance as it provides many advantages to the organization. A strong and influential brand image distinguishes the brand from other competitive brands and also induces repeat purchases. Peter and Olson (1994) suggested that brand image consists of consumer

knowledge and beliefs, stored in memory as associations, about brand attributes and the consequences of brand use.

Customer Perception

It is essential to understand the customer viewpoint as companies have realized the importance of retaining the loyal customers. Researches like Reichheld, (1993, 1995) have found that developing and managing customer loyalty (e.g. customer retention) is very strongly related to the profitability and the long-term growth of a firm. Further, researches have indicated that small increases in customer retention rates can dramatically increase profit (Heskett et al., 1997; Hosmer, 1998; Huffmire, 2001). Monroe and Krishnan (1985) in a research suggested that if buyers do not possess complete information about a store, they make inferences from available informational cues before forming perceptions of the store. Hence, retailers must either provide complete information about the store in accordance to the image that they want to create for the retail outlet or should manage the information cues in positive direction. More recently, researchers have noted that consumers differ not only in how they perceive brands but also in how they relate to brands (Fournier 1998; Muniz and O'Guinn 2001). Aggarwal (2004) discussed that consumer responses depend on the type of relationship norms that are salient at the time of brand interaction. Oumlil and Tuncalp (1999) carried an exploratory research and indicated that the importance judgments for store attributes were influenced by the set of terminal and instrumental values viewed as important by the shoppers.

Methodology of the Study

Nature of the Study

The study is exploratory in nature and was organized in several stages. In the first stage, relevant literature was reviewed on consumer involvement from various sources like books, articles published in journals, periodicals & newspapers. In the second stage, around 60 consumers were asked to write the names of five brands in apparel industry that first clicks to their mind that come under high quality clothing, from the responses the five major recognizable brand of apparel was identified. In the third stage, 135 consumers were sent the questionnaires out of which 120 usable questionnaires were selected for analysis. Questions focused on the attributes of the retail store that influences the customer perception of the store in the presence of recognizable brands. In the fourth stage, collected data were classified and tabulated in order to get information in fruitful manner. Finally, in the fifth stage various statistical tools were used to analyze the data and interpret them to come to results.

Sample

Data has been collected from 135 respondents using standard scale to measure the customer perception of an imaginary apparel retail store carrying the five recognizable

leading brands of apparel. The sample consisted of customers of both the genders and two age categories, i.e. below 25 years and 26-35 years.

Measurement

The initial pilot study conducted among the students regarding the names of high quality apparel brands that they could recognize easily gave the results, these are – Levis, Nike, Provogue, Lee, and Raymonds.

In the later stage of the study in order to study the relationship between brand image and retail store image, the standard questionnaire based on the study of Zimmer and Golden (1988) containing 15 items was evaluated on a five point Likert scale varying from strongly agree to strongly disagree was used to measure the response. To study the level of similarity in number of consumers on the basis of their gender who responded on different factors affecting their choice of retail outlet chi-square test was applied.

Hypothesis of the Study

To meet the objective of the research following null hypothesis based on the items of the questionnaire were formulated and tested:

H₀₁: The number of males and females that would like to shop from such a retail outlet is equal.

H₀₂: The number of males and females that would like to gather information about such a retail outlet is equal.

H₀₃: The number of males and females who think that their wardrobe will become stylish and neat if they shop from such a retail store, is equal.

H₀₄: The number of male and females, who will talk to friends about such a retail store, is equal.

H₀₅: The number of males and females, who think that such a store will carry the latest fashions and styles, is equal.

H₀₆: The number of male and females, who think that the physical facilities of the store should be visually appealing, is equal.

H₀₇: The number of males and females, who think that the interior furnishings in the store should give the shopper the appearance and feeling of a quality retail outlet, is equal.

H₀₈: The number of males and females, who think that the employees of such retail outlet should be appropriately dressed and neat is equal.

H₀₉: The number of males and females, who think that the store should have a pleasant shopping environment, is equal.

H₁₀: The number of males and females who think that the employees should be able to give them fashion tips and advice is equal.

H₁₁: The number of males and females, who think that store should offer a full line of services like tailor, credit, gift-wrapping, is equal.

H₁₂: The number of males and females, who think that the employees of such store should be knowledgeable about fashion trends, is equal.

H₁₃: The number of males and females, who think that the employees of such a store should be helpful and courteous, is equal.

H₁₄: The number of males and females, who think that the sales help at such a store will be mature and helpful, is equal.

H₁₅: The number of males and females, who think that If they had a question about clothing styles or fashions, they could get the answer only at this store, is equal.

Data Analysis

The data has been analyzed using chi-square test and the results are mentioned below:

| Factors | Chi-Square value | Degree of Freedom | Significance Value | Hypothesis Accepted/ Rejected |
|--|------------------|-------------------|--------------------|-------------------------------|
| Likelihood to purchase | 0.648 | 2 | 0.723 | Rejected |
| Like to gather information | 8.373 | 3 | 0.039 | Accepted |
| Stylish and neat wardrobe | 4.866 | 4 | 0.301 | Rejected |
| Talk to friends | 5.111 | 3 | 0.164 | Rejected |
| Carry latest fashion and style | 1.259 | 3 | 0.739 | Rejected |
| Visually appealing | 1.972 | 3 | 0.578 | Rejected |
| Quality retail outlet | 10.132 | 3 | 0.017 | Accepted |
| Employees appropriately dressed and neat | 3.958 | 4 | 0.412 | Rejected |
| Pleasant shopping environment | 0.921 | 2 | 0.631 | Rejected |
| Employees give fashion tips & advice | 1.472 | 3 | 0.689 | Rejected |
| Full line of services | 2.725 | 3 | 0.436 | Rejected |
| Employees knowledgeable about fashion trends | 2.252 | 3 | 0.522 | Rejected |
| Employees helpful and courteous | 1.917 | 2 | 0.384 | Rejected |
| Sales help mature and helpful | 4.533 | 3 | 0.209 | Rejected |
| Answer about clothing styles or fashions | 2.744 | 3 | 0.433 | Rejected |

DISCUSSION

The results of the chi square test applied on the formulated hypothesis to test the relationship between the presence of high brand image apparels and retail store image across the two genders of consumers' states that only two of the null hypothesis has been accepted as the significance value of chi square is less than 0.05. Thus the study implies that the number of males and females that would like to gather information about a retail outlet which is carrying high brand image apparels, is equal ($p=0.039 < 0.05$). Also the results indicate that the number of males and females, who think that the interior furnishings in the store carrying high brand image apparels should give the shoppers feeling of a quality retail outlet, is equal ($p=0.017 < 0.05$).



On the contrary the other null hypothesis has been rejected as the results indicate that the presence of high brand image apparels will have different perceptions among the male consumers and females consumers and hence the number of males and females that would like to shop from such a retail outlet, is not equal. Similarly the number of males and females that would like to gather information about such a retail outlet is not equal and so on.

IMPLICATION

The results of the study implies that there is a positive relationship between the brand image and retail store image and consumers perceive that the store carrying high image brands must be high on the dimensions of service, atmosphere and fashion. Jacoby and Mazursky (1984) confirm that brand image can substantially improve or damage a retail store image, depending on how the brand is evaluated. Furthermore, brand image tends to be more powerful than retail image, as brand image is not substantially improved by being linked with a more favorable retail image (but can be damaged by a less favorable retail image). Therefore, it becomes very important for the retailers and the brand managers that they must be concerned with the interdependencies between retail store image and brand image.

The study reveals that the brand managers must try to develop a positioning strategy for their brands so that it has the kind of image that the managers plan to have in the minds of the prospective customers. Also the retailers must try to maintain the kind of assortment depending upon the retail store image that they wish to create in the target market. Also the retailers must keep in their mind that while some of the factors affecting the retail store image may be same for the male and female consumers but the gender differentiation does have influence over the perception and this must be taken into account while thinking of the brand assortment for the store.

CONCLUSION

The study reveals that brand image and retail store image are highly related with one another and the image of retail store is created by the kind of brands it is carrying in its product assortment. Thus it is very important for retailers to plan strategically the type of brands that they wish to carry. Also the study reveals that the consumer's perception about a brand or a retail store may also be influenced by the gender of the consumer and hence this factor affecting perception should not be neglected. It must be remembered that brand managers and retailers are not merely promoting a physical good or service, rather they promote an image. A brand's image is a combination of a consumer's subjective perceptions of the product's innate characteristics, and the environment that surrounds a brand – the retail setting.

REFERENCE

- Aaker, David A (et. al.1990), "Consumer Evaluations of Brand Extensions," *Journal of Marketing*, 54 (January), Pp. 27–41.
- Aaker, Jennifer L. (1997), "Dimensions of Brand Personality," *Journal of Marketing Research*, 34 (August), Pp. 347–56.
- Aggarwal Pankaj (2004), "The Effects of Brand Relationship Norms on Consumer Attitudes and Behavior", *Journal of Consumer Research*, Vol. 31, Pp. 87-101.
- Arnold, M.J. (et. al. 2003), "Hedonic shopping motivations", *Journal of Retailing*, Vol. 79, pp. 77-95.
- Baker, J., (et. al. 1994), "The influence of store environment on quality inferences and store image," *Journal of Academy of Marketing Science*, Vol. 22, No. 4, pp. 328-39.
- Bloch, P et. al. (1994), "The shopping mall as consumer habitat", *Journal of Retailing*, Vol. 70 No. 1, pp. 23-42.
- Bloemer, J. and Odekerken-Schroder, G. (2002), "Store satisfaction and store loyalty explained by customer and store-related factors", *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour*, Vol. 15, pp. 68-80.
- Boedeker, M. (1995), "New-type and tradition shoppers: a comparison of two major consumer groups", *International Journal of Retail & Distribution Management*, Vol. 23 No. 3, pp. 17-27.
- Fournier, Susan (1998), "Consumers and Their Brands: Developing Relationship Theory in Consumer Research," *Journal of Consumer Research*, 24 (March), 343–73.
- Hansen, R.A. and Deutscher, T. (1977-1978), "An empirical investigation of attribute importance in retail store selection", *Journal of Retailing*, No. 53, Winter, pp. 59-72, 95.
- Heskett, J.L., (et. al. 1997), *The Service Profit Chain*, Free Press, New York, NY.
- Hosmer, B.E. (1998), "The loyalty effect: The hidden force behind growth, profits, and lasting value", *Journal of Management Consulting*, Vol. 10 No. 2, pp. 82-3.
- Huffmire, D.W. (2001), "Improving customer satisfaction, loyalty, and profit: an integrated measurement and management system", *Choice*, Vol. 38 No. 5, pp. 946-7.
- Ibrahim, M.F. and Ng, C.W. (2002), "Determinants of entertaining shopping experiences and their link to consumer behavior: case studies of shopping centers in Singapore", *Journal of Leisure Property*, Vol. 2 No. 4, pp. 338-58.
- Jacoby, J. and Mazursky, D. (1984), "Linking brand and retailer images – do the potential risks outweigh the potential benefits?," *Journal of Retailing*, Vol. 60 No. 2, pp. 105-22.
- Jin, B. and Kim, J.O. (2003), "A typology of Korean discount shoppers: shopping motives, store

- Attributes, and outcomes", *International Journal of Service Industry Management*, Vol. 14 No. 4, pp. 396-419.
- Keaveney, S.M. and Hunt, K.A. (1992), "Conceptualization and operationalization of retail store image: a case of rival middle-level theories," *Journal of Academy of Marketing Science*, Vol. 20 No. 2, pp. 165-75.
- Keller, Kevin L. (1993), "Conceptualizing, Measuring and Managing Customer-Based Brand Equity," *Journal of Marketing*, 57 (January), 1-22.
- Koo, D.-M. (2003), "Inter-relationships among store images, store satisfaction, and store loyalty among Korea discount retail patrons", *Asia Pacific Journal of Marketing and Logistics*, Vol. 15 No. 4, pp. 42-71.
- Kunkel, J.H. and Berry, L.L. (1968), "A behavior conception of retail image", *Journal of Marketing*, No. 32, October, pp. 21-7.
- Li, F., Zhou, N., Nicholls, J.A.F., Zhuang, G. and Kranendonk, C. (2004), "Interlinear or inscription? A comparative study of Chinese and American mall shoppers' behavior", *Journal of Consumer Marketing*, Vol. 21 No. 1, pp. 51-61.
- Lindquist, J.D. (1974-1975), "Meaning of image: a survey of empirical and hypothetical evidence," *Journal of Retailing*, Vol. 50 No. 4, pp. 29-37
- Marcus, B.H. (1972), "Image variation and the multi-unit retail establishments", *Journal of Retailing*, Vol. 48, Summer, pp. 29-43.
- Martineau, P. (1958), "The personality of the retail store," *Harvard Business Review*, Vol.36, January-February, pp. 47-55.
- McDougall, G.H.G. and Fry, J.N. (1974-1975), "Combining two methods of image measurement" *Journal of Retailing*, No. 50, Winter, pp. 53-61.
- McQueen, Josh, Carol Foley, and John Deighton (1993), "Decomposing a Brand's Consumer Franchise into Buyer Types," in *Brand Equity and Advertising: Advertising's Role in Building Strong Brands*, ed. David A. Aaker and Alexander L. Biel, Hillsdale, NJ: Erlbaum, 235-45.
- Monroe, K.B. and Krishnan, R. (1985), "The effect of price on subjective product evaluations," in *Jacoby, J. and Olson, J.C. (Eds), Perceived Quality: How Consumers View Stores and Merchandise*, Lexington Books, Lexington, MA, pp. 209-32.
- Muniz, Albert M., Jr., and Thomas C. O'Guinn (2001), "Brand Community," *Journal of Consumer Research*, 27 (March), 412-32.
- Nakamoto, Kent, Deborah J. MacInnis, and Hyung-Shik Jung (1993), "Advertising Claims and Evidence as Bases for Brand Equity and Consumer Evaluations of Brand Extensions," in *Brand Equity and Advertising: Advertising's Role in Building Strong Brands*, ed. David A. Aaker and Alexander L. Biel, Hillsdale, NJ: Erlbaum, 281-97.
- Nguyen, T.M.T. and Nguyen, T.D. (2003), *Measurement of Service Quality of Supermarkets in Vietnam – A Customer Perspective*, Technical Report No. CS.2003.01.04, Vietnam National University, Ho Chi Minh City.
- Olshavsky, R. (1985), "Perceived quality in consumer decision making: an integrated theoretical perspective," in *Jacoby, J. and Olson, J.C. (Eds), Perceived Quality: How Consumers View stores and Merchandise*, Lexington Books, Lexington, MA, pp. 3-29.
- Orhan Erdem A. Ben Oumlil and Secil Tuncalp (1999), "Consumer values and the importance of store attributes", *International Journal of Retail & Distribution Management*, Volume 27, Number 4, pp. 137-144
- Plummer, Joseph T. (1985), "How Personality Makes a Difference," *Journal of Advertising Research*, 24 (December-January), 27-31.
- Reichheld, F.F. (1993), "Loyalty-based management", *Harvard Business Review*, Vol. 71 No. 2, pp. 64-73.
- Reichheld, F.F. (1995), "Loyalty and the renaissance of marketing", *Marketing Management*, Vol. 2 No. 4, pp. 10-21.
- Schiffman & Kanuk (1997), "Consumer behavior", Prentice Hall.
- Stephenson, R. (1969), "Identifying determinants of retail patronage", *Journal of Marketing*, No. 3, July, pp. 57-61.
- Zimmer, M.R. and Golden, L.L. (1988), "Impressions of retail stores: A content analysis of consumer images," *Journal of Retailing*, Vol. 54 No. 3, pp. 265-91.



EXTERNAL AUDITOR INDEPENDENCE— REAL OR IMAGINED?

Joan A. Cezair*

ABSTRACT

External auditor requires standards such as independence, objectivity and Integrity. The present paper is an attempt to discuss the independence and objectivity as hall marks of the auditing profession.

Keywords: CPA, Auditors, Internal Audit.

INTRODUCTION

Headline-grabbing litigation cases involving Certified Public Accounting (CPA) firms have left the public questioning the integrity of external auditors with regard to published, audited financial statements. Many question the effectiveness of external auditors in the attestation function. Educators and researchers theorize that poor auditor judgment is to blame; while others theorize that time pressures have negative impacts on audit quality. This paper explores the arguments for and against outside auditors and evaluates their effectiveness in fulfilling their attestation function.

Is an "Independent" Auditor a Myth?

Independence and objectivity are hallmarks of the auditing profession. However, auditors are subject to economic incentives to please clients that could lead them away from perfect independence and objectivity and potentially result in undesirable conduct; even if they comply with professional standards (Boritz and Zhang, 2001). Independence rules are contained in the American Institute of Certified Public Accountants (AICPA) membership's Rules of Conduct (<http://www.aicpa.org/about/code/sec100.htm>). The need for these Rules of Conduct is occasioned by the barrage of criticism of the accounting profession and includes rules governing such issues as auditor independence, integrity and objectivity, competency and technical standards. Under the conceptual framework for auditor independence issued by the AICPA's Independence Standards Board (ISB), auditor independence is defined as "freedom from those factors that compromise, or can reasonably be expected to compromise an auditor's ability to make unbiased audit decisions."

As McGrath, Siegel, Dunfee, Glazer and Jaenicke (2001) explain, the definition of independence does not require the auditor to be completely free of all the factors that affect the ability to make unbiased audit decisions, but only free from those that rise to the level of compromising that ability. The definition compels the auditor to make a personal assessment of his or her objectivity to determine if pressures and other factors compromise the ability to make unbiased

audit decisions. The framework also identifies five types of threats to the auditor's independence that are:

- **Self-interest:** The threat that arises when an auditor acts in his or her own emotional, financial or other personal self-interest.
- **Self-review:** The threat of bias arising when an auditor audits his or her own work or the work of a colleague.
- **Advocacy:** The threat that arises when an auditor acts as an advocate for or against an audit client's position or opinion rather than as an unbiased attester.
- **Familiarity (or trust):** The threat that arises when an auditor is being influenced by a close relationship with an audit client.
- **Intimidation:** The threat that arises when an auditor is being, or believes that he or she is being overtly or covertly coerced by an audit client or by another interested party (Jaenicke, 2001).

Auditors have to not only be independent in fact, but also independent in appearance. But what does it mean to "appear" independent? In assessing appearance, the existing literature directs the auditor to consider whether a "reasonable investor, knowing all the facts and circumstances, would believe a particular relationship or activity with an audit client might affect the auditor's independence (McGrath et. al, 2001). Boritz and Zhang (2001) performed a study which examined the independence and objectivity of auditors. The analysis showed that if the auditor concluded there was a misstatement in the financial statements but the client knew or believed that there was none, then the client would encourage the auditor to do more work so that it was possible to render an unqualified opinion. In addition, the research also showed that the misstatements persisted even when investors diversified portfolios because the misstatements were all likely to be in favor of the client overstating the company's value – making the overall misstatement in the portfolios potentially very large.

*Department of Accounting, Fayetteville State University, Fayetteville, NC 28304

An example of just this type of action is exemplified in Arthur Andersen's auditing of Waste Management Inc. On June 19, 2001, the Securities and Exchange Commission (SEC) accused Arthur Andersen of "knowingly or recklessly" issuing false and misleading audit reports. According to the press release, the SEC said it found financial statements that were issued as "clean" opinions by Andersen that overstated Waste Management's pre-tax income by more than \$1 billion for the years 1993 to 1996. As a consequence, Arthur Andersen agreed to pay 7 million to settle the case (<http://money.cnn.com/2002/03/26/news/companies/waste/index.htm>). As Richard H. Walker, the SEC's then Director of Enforcement, said in a statement: "Arthur Andersen and its partners failed to stand up to company management and thereby betrayed their ultimate allegiance to Waste Management's shareholders and the investing public." Another scandal at Just for Feet chain of shoe stores illustrates an example of the impact of the threat of self-interest, one of the threats to auditor independence listed in the auditor's independence framework. A shareholder class action suit filed against the company in 1999 claimed the shoe chain inflated its profits and understated expenses for three fiscal years stretching from 1997 to 1999. The suit further alleged that the company's auditors, Deloitte & Touche, helped pad the financials while pursuing a consulting contract from the auditee. The Just for Feet managers then alleged that they told the auditors that their associates had breached the computerized accounting systems but, rather than report that problem promptly to the company's audit committee, Deloitte sought to profit from Just For Feet's inadequate systems by successfully bidding on a consulting project to cure the many deficiencies in those systems (MacDonald, 2001).

Researchers, Bazerman, Morgan and Loewenstein (1997) believe audit failures rarely result from the deliberate collusion of auditors with clients. Instead, they theorize that auditors may find it psychologically impossible to remain impartial and objective. The researchers believe that bias typically enters unconsciously and unintentionally at the stage of making judgments, not when reporting them. When people are called on to make impartial judgments, those judgments are likely to be unconsciously and powerfully biased in a manner that is commensurate with the judge's self-interest. Psychologists call this the "self-serving bias." When presented with identical information, Bazerman et. al (1997) point out that individual perceptions of a situation differ dramatically depending on one's role in the situation. Self-serving biases exist because humans are imperfect information processors. One of the most important non-objective influences on information processing is self-interest. People tend to confuse what is personally beneficial with what is fair or moral. In sum, Bazerman et. al's (1997) research confirm that auditors' judgments are likely to be biased in favor of their own and their clients' interests.

Robert K. Elliott, Chairman of the Board of Directors of the

AICPA for 1999-2000 noted in a symposium held by the New York State Society of Certified Public Accountants that audits are not free. "If audits were free, we could demand that auditors be completely and absolutely independent. But audits are not free. There are degrees of independence: the greater the independence, the greater the cost." Some advocates favor the rotation of auditors to improve auditor independence. However, Elliott further noted that audit failures often occur in the first year or two of a relationship and that the audit firm that must replace its entire portfolio every three, five, or even seven years, may seek to be known as a more compliant player, in order to attract clients, thus impacting the quality of audits under this type of rotation system.

Read (1993) points out that independence is perhaps the single most important attribute that the CPA brings to the relationship with his or her client. To emphasize, then SEC Chairman Levitt has stated that "more than anything else, it is the independent auditor who stands guard in defense of the public interest. It is his duty and his unique franchise to protect and honor that interest."

Does the Practice of Low-Balling Impair Auditor Independence?

Low-balling refers to the deep initial discount granted by an external auditor when they enter a potentially long-term audit engagement with a client firm. Thus, low-balling is a marketing strategy akin to "low introductory pricing" (Chi-Wen and Zhaoyang, 1998). The SEC is very suspicious of the practice because they fear that it may impair auditor independence. The "Cohen Report" issued by the Commission on Auditor Responsibilities to examine the issue of auditor independence took a distinctly negative view of the practice of low-balling. The report argued that low-balling may impair auditor independence by creating the equivalent of a bail bond held by the manager of the audited firm who could then threaten its usurpation should the auditor reveal information harmful to the manager. The auditor, by offering to "low ball", signals to the manager her readiness to be pliant (Chi-Wen and Zhaoyang, 1998).

Have changes in the structure of CPA firms impaired their independence?

The Big Four accounting firms have developed on a worldwide scale into what has become known as Multidisciplinary Practices (MDPs). The 1990s saw the consulting practices of large CPA firms become the largest segments of their business. CPA consulting services have become an increasingly important component of public practice. Critics argue that excessive involvement in consulting engagements with attest clients can impair auditor independence, which is a distinctive characteristic of the profession and a basic element of the account/client relationship.

In a case involving Oxford Health Plans, a health maintenance organization (HMO), \$4.5 billion of their



\$6.8 billion market valuation was erased when it came out that Oxford's software system was vastly overstating revenues and understating expenses. Plaintiff lawyers claimed in this case that CPA firm KPMG, outside auditor for Oxford, would have been more motivated to uncover the deception if it had not been so preoccupied with selling tax, appraisal and actuarial service to Oxford (MacDonald, 2001).

In another famous case involving the now defunct Arthur Andersen over the collapse of the DeLorean Motor Co. in 1982, according to sealed court documents, Andersen's auditors put together the DeLorean Company's profit figures and then audited their own work. In addition, Andersen effectively became a part of DeLorean's management, seeking investment capital and negotiating contracts on the company's behalf. Meanwhile, Andersen's consultants won a contract to design and install a computerized accounting system.

A common focus of research relating to the auditor's provision of non-audit services (NAS) is whether providing NAS impairs the auditor's independence – in fact or appearance. Schneider (2006) notes that overall, evidence from both pre-and post-Enron periods suggests that perceptions of independence may depend upon the size of the NAS relationship with concerns mitigated when separate personnel perform audit and NAS. The value of NAS by auditors depends upon the cost/benefit tradeoff, with compromises in auditor independence as one of the most critical potential costs.

Some analysts, however, believe that the Size of today's CPA firms render many independence rules irrelevant since the size of these larger firms reduces the percentage of individual partners' interests in the overall business of a firm and thus has eliminated financial dependence on any one client. Others argue that the "appearance" test for independence should be abandoned because it is a worthwhile but unattainable ideal. Still others contend that NAS enhances the auditor's knowledge of the client, leading to a more efficient and effective audit (Schneider, 2006).

The Big Four have heeded the calls to divest their consulting services in light of these scandals. Ernst & Young sold its consulting business to France's Capgemini, a worldwide consulting firm, KPMG sold a fifth of its consulting arm to Cisco Systems for \$1 billion and accounting partners have divested their remaining stake in the consulting firm and Price Waterhouse Coopers (PWC) separated the management consulting unit from its accounting and auditing business.

Does the Sarbanes-Oxley Act improve Auditor Independence?

The implementation of the 2002 Sarbanes-Oxley Act of 2002 (SOX or The Act) came as a direct result of the U.S. government's response to major audit failures in the 1990s, most famously the collapse of Enron Corporation. SOX was initially intended to raise the bar for integrity and competence for publicly traded companies. Although, its effect has been

to promote greater accountability within the private sector as a whole.

One requirement of SOX addresses auditor independence in that public company audit committees must now consist solely of independent directors and at least one financial expert. More importantly, the audit committee must be given the responsibility for, and complete control, over the hiring, compensating, and retaining of the company's independent auditors and for overseeing the work of the auditor in preparing or issuing any audit report (Lander, 2004, pp. 54-58). It is clear by this requirement, that the government recognizes that compromising of auditor independence contributed to the collapse of these large corporations, most specifically, Enron Corporation and the once giant CPA firm, Arthur Andersen, LLP.

Part of SOX regulation was the establishment and organization of the Public Company Accounting Oversight Board (PCAOB or the Board). The PCAOB was given power, among other things, to register and discipline accounting firms that audit public companies. Public accounting firms are now required to register with the Board and the Board has discretion to reject applications. In keeping with the idea of maintaining auditor independence, SOX has shortened the list of consulting services that CPA firms can provide to publicly held audit clients. The Act lists eight types of consulting services that are now unlawful when provided to publicly held audit clients:

- Book-Keeping
- Information systems design and implementation
- Appraisals or valuations services
- Actuarial services
- Internal audits
- Management and human resources services
- Broker/dealer and investment banking services
- Legal or expert services related to audit services, plus
- A "catch-all" category authorizing the Board to prohibit any services it wishes for auditor of publicly held companies (Latshaw, 2003).

According to Tackett, Wolf and Claypool (2004), the root causes of audit failure are (1) auditor blunders caused by unintentional human error; (2) auditor fraud; (3) undue influence caused by financial interests; and (4) undue influence caused by personal auditor-client relationships. The key provisions of SOX that have the potential to reduce the likelihood of audit failure can be summarized as follows:

- activities of the PCAOB;
- new rules for audit committees;
- new criminal penalties and protection for whistle-blowers;
- limits on auditor consulting; and
- new financial reporting and auditing procedures

The enactment of SOX certainly does not make the issue of auditor independence go away. In 2003, the SEC charged HealthSouth Corp. with faking \$1.4 billion in profits since 1999. Outside experts claim surprise that the firm's independent auditors, Ernst & Young, could have missed a misstatement this big. Critics point to the revolving doors between audit firm and client that existed between HealthSouth and then-CEO Richard M. Scrushy, who had hired a number of senior auditors from Ernst & Young's Birmingham (Ala.) office (Foust, 2003). What is expected to be the major focus of the Board will be the inspection program to assess the degree of compliance of each registered public accounting firm with SOX (Lander, 2004, pp. 85-89). This is indeed a major shift in the policing of independent CPAs since, for years CPAs were allowed to regulate themselves through the "peer review" process which CPA firms are required to conduct to satisfy American Institute of CPAs (AICPA) membership. Peer reviews are still required for membership in the AICPA but registered firms are also subject to a peer review administered by the Center for Public Audit Firms (CPCAF) committee under the CPCAF Peer Review Program.

CONCLUSION

The auditor's real and perceived independence and autonomy in the performance of the attest function seems universally accepted as a desirable attribute. The enactment of SOX was an attempt to restore public confidence in this function. However, regulatory actions which only affect the appearance of independence (as opposed to changing actual independence) will never reduce the likelihood of audit failure (Tackett et. al., 2004). The post-Enron era has put external auditors, their work and their independence under a microscope. Corporate governance and auditor independence are in vogue again.

REFERENCES

Bazerman, M., Morgan, K. & Loewenstein G. (Summer 1997). The impossibility of auditor independence. *Sloan Management Review*, Vol. 38 Issue 4, pp. 89-94. Retrieved January 22, 2010 from Academic Search Premier database.

Boritz, E. & Zhang, P. (Apr. 2001). The Auditor's Objectivity vis-à-vis Material Misstatements. *Journal of Accountancy*,

Vol. 191, Issue 4, p. 93-93. Retrieved January 22, 2010 from Academic Search Premier database.

Chi-Wen, J. & Zhaoyang Gu. (Oct. 98). Low Balling, Legal Liability and Auditor Independence. *Accounting Review*, Vol. 73, Issue 4, p. 533. Retrieved January 22, 2010 from Business Source Premier database.

Foust, D. (April 14, 2003). Missing the Red Flags, *Business Week*, Issue 3828, p.72. Retrieved January 22, 2010 from Academic Search Premier database. <http://www.aicpa.org/about/code/sec100.htm>. <http://money.cnn.com/2002/03/26/news/companies/waste/index.htm>.

Jaenicke, H. (January, 2001). A framework for auditor independence *The Free Library*. Retrieved January 23, 2010 from [http://www.thefreelibrary.com/A framework for auditor independence-a069372738](http://www.thefreelibrary.com/A+framework+for+auditor+independence-a069372738)

Lander, G. *What is Sarbanes-Oxley?* New York: McGraw-Hill, 2004.

Latshaw, C. (Spring 2003). Fraudulent Financial Reporting: The Government and Accounting Profession React. *Review of Business*, Vol. 24, Issue 2, pgs. 13-18. Retrieved January 22, 2010 from Academic Search Premier database.

MacDonald, E. (March, 2001). Was that Auditor's Opinion really Independent? *Forbes*, Vol. 167, Issue 7, p. 109-111. Retrieved January 22, 2010 from Business Source Premier database.

McGrath, S., Siegel, A., Dunfee, T, Glazer, A. & Jaenicke, H. (Jan, 2001). A Framework for Auditor Independence. *Journal of Accountancy*, Vol. 191, Issue 1, p39-42. Retrieved January 22, 2010 from Business Source Premier database.

Read, W. (Feb, 1993). Consulting services and CPA firms. *The CPA Journal*.

Schneider, A., Church, B. & Ely, K. (2006). Non-Audit Services and Auditor Independence: A Review of the Literature. *Journal of Accounting Literature*, Vol. 25, p169-211. Retrieved January 22, 2010 from Business Source Premier database.

Tackett, J., Wolf, F. & Claypool, G. (2004). Sarbanes-Oxley and audit failure – A critical examination. *Managerial Auditing Journal*. Vol. 19, Issue 3, pp. 340-350. Retrieved January 22, 2010 from Business Source Premier database.

LOGISTICS MANAGEMENT IN RETAILING: CONCERNS AND SOLUTIONS

H. K. Singh*

Amit Manglani**

ABSTRACT

Effective and timely service is the prime requisite for customer retention and customer satisfaction for any concern. Once a customer enters a store with his list of purchases, he thinks of getting it with ease. And, to fulfil this aspiration of every customer with their different and volatile demands is the prime motive of any retailer. This is also necessary for customer retention and brand management as well. The management works behind the procurement of raw materials and then to convert it into finished products and after that to make it available to retailers comes in the area of 'Logistics Management'. This paper deals with the concerns and possible solutions in the logistics management in retailing business.

Key Words: Electronic Point of Sale, Retail chain integration, Radio Frequency Identification, Logistics Management, Quick Response.

INTRODUCTION

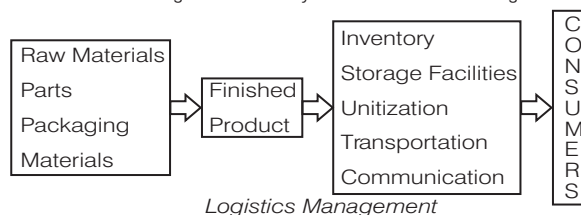
In early days, the place of production of goods and its consumption were almost the same. With the advancement in civilization, population sprung and people moved to diversified places. It made distinction in place of habitation and place of production. This change in places has developed the need of distribution of products and services from its place of origin to place of ultimate use. With the increase of complexity in the nature and practice of global business, distribution management has been divided in 'Materials Management' and 'Physical Distribution Management'. Where Materials Management dealt with the arrangement of raw materials and other inputs for manufacture of final product, physical distribution management dealt with the distribution, upkeep and transportation of these final product to the markets near to the consumers. In today's global market, these two managerial aspects have been merged to form 'Logistics Management' which takes care of not only the procurement of materials to distribution of it, but to manage each and every aspect of management coming in between. (Exhibit 1)

Logistics Transformation

This logistics transformation derives from cost and service requirements as well as consumer and retailer change. Elements of logistics are remarkably expensive, if not controlled effectively. Holding stock or inventory in warehouses just in case it is needed is a highly costly activity. The stock itself is expensive and might not sell or could become obsolete. Normal activities in the distribution of products like, warehousing, transportation, insurance, and packaging etc. are costly proposition now-a-days and parking of funds in these activities may cost dear to the organization. There is thus a cost imperative to making sure that logistics is carried out effectively and efficiently through the most appropriate allocation of resources along the supply chain. By appropriate integration of demand and supply, mainly through the widespread use of information technology and systems, retailers can provide a better service to consumers by, for example, having fresher, higher quality produce arriving to meet consumer demand for such products. With good logistics practices, fresh and newly manufactured products can be made available to the consumers because of timely supply and hence, less holding at shelves. If operating properly, a good logistics system can therefore both reduce costs and improve

service, providing a competitive advantage for the retailer.

Exhibit 1: Logistics Management
Materials Management Physical Distribution Management



Simply put, Logistics is the total process of planning, implementing, and coordinating the physical movement of merchandise from manufacturer (wholesaler) to retailer to customer in the most timely, effective, and cost-efficient manner possible.

In order to make products available retailers have to manage their logistics in terms of product movement and demand management. The logistics management task is therefore initially concerned with managing the components of the 'logistics mix'. In this mix, following five components contribute:

1. Storage facilities
2. Inventory
3. Transportation
4. Unitization and packaging
5. Communications

All these components are linked to each other. An efficient use of these interlinked components saves a lot for the retailers. For example, when 'Just-in-time' system of inventory follows, it demands for perfect stock calculation, timely transportation and quick response at the warehouse and distribution centers. It definitely requires a coordinated effort of all the components to get the product placed at the right time, at right cost and in right units. It should also be clear, however, that retailers are but one part of the supply system. Retailers are involved in the selling of goods and services to the consumer. If a retailer is effective, but its suppliers are not, errors and delays in supply from the manufacturer or logistics services provider will impact the retailer and the retailer's consumers, in terms of either higher prices or stock-outs (i.e., no products available on the store shelves). If a retailer can integrate effectively its logistics system with that of its suppliers, such problems may be minimized. However, new retailers of the global market are not single shop owners, instead, they are the organizations working in many countries and hence, there logistics

*Professor, Faculty of Commerce, Banaras Hindu University, Varanasi, INDIA

**UGC-JRF, Research-scholar, Faculty of Commerce, Banaras Hindu University, Varanasi, INDIA

management require a great deal of use of information and advanced technology. Managing the logistics mix in an integrated retail supply chain, while aiming to balance cost and service requirements, is the essential element of logistics management. In the past, retailers were only the last link of getting the supply of products from manufacturers or wholesalers but now they are the one of the prime part of information generation, and active designers and controllers of product supply in reaction to known customer demand. Considering all the matter, retailers have to make a balance between the cost and service level while deciding in which one(s) and how much the components of logistics mix can be outsourced for effective channelization of finance, service and activities. The grand retailers are transforming the retail logistics process for better control over the products, services and their effective utilization for timely supply of products at their retail chains world-over. In 1996, Alan McKinnon has identified six closely related and mutually reinforcing trends in retail logistics transformation:

Increased control over secondary distribution

Retailers have increased their control over secondary distribution (warehouse to shop) by channeling an increasing proportion of their supplies through distribution centers (DCs). In food sector, this process has made tremendous growth in the retail industry. One can get 'farm-fresh' grocery at their door-step and other food items are also available with least time-lag from production to 'ready-for-sale' point. Use of information technology in goods tracking helps in peculiar calculation of stock availability at the retail outlets.

Restructured logistical systems

Retailers have reduced inventory and generally improved efficiency through use of various tools and methods in inventory packaging and transportation. For example, use of multi-compartment vehicles help them to supply products which demand varying temperature for safe preservation, at the same time. In the case of mixed retail businesses common stock rooms have been developed, where stock is shared across a number of stores, with demand deciding to which store it is allocated.

Adoption of 'Quick Response' (QR)

With the use of Electronic Data Interchange (EDI) and Electronic Point of Sale (EPOS) techniques, 'quick response' is possible in inventory handling and movement. In other words as an item is sold and scanned in a shop, this data is used to inform replenishment and reordering systems and thus react quickly to demand. Sharing such data with suppliers further strengthens the supply chain.

Rationalization of primary distribution (factory to warehouse)

With the efforts of 'quick response' (QR) and also because of intense competition, retailers have integrated the process of products from distribution centres to suppliers-end. This has rationalized the primary distribution area of the supply chain.

Increased return flow of packaged material and recycling process

Retailers have also worked in the area of 'reverse logistics' operation. This trend has been reinforced by the initiatives being taken for the environment and ecology. For sustained development, an efficient and optimal use of resources is also the prime need for the society. By this way, retailers do their best to make a reuse of material found defective in the process of supply because of faulty packaging or handling.

Introduction of Supply Chain Management (SCM) and Efficient Consumer Response (ECR)

Having improved the efficiency of their own logistics operations, many retailers have begun to collaborate closely with suppliers to maximize the efficiency to the retail supply chain as a whole. SCM (and within this, ECR) provides a management framework within which retailers and suppliers can more effectively coordinate their activities. It is clear that many of these trends identified in McKinnon have been the focus for retailers in the intervening years. Issues such as primary distribution and factory gate pricing, and Collaborative Planning Forecasting and Replenishment (CPFR) have occupied much attention. Every stage in the production to supply, be it, manufacturing, branding, packaging, display at the store or so on, adds costs to the product. The aim for retailers is to manage this chain to create value for the customer at an acceptable cost. The managing of this so-called 'pipeline' has been a key challenge for logistics professionals, especially with the realization that the reduction of time not only reduces costs, but also gave competitive advantage.



CONCLUSION

Logistics management holds a key role in retailing business. Most of the perishable products like, grocery, milk products etc need special attention in timely supply and consumption. There volatile consumption pattern have to be in the mind. Role of effective handling and distribution of goods is increasing day by day and advent of information technology in inventory tracking is helping the logistics management in some way or other. It is again very true that sturdy logistics practices can only be applied by the robust businesses and logistics management is also the part of work for big retailers. In this century, logistics management is shaping its working from manual to computer-based environment. Use of bar-coding, RFID tags and other similar utilities are more common in retail stores. This has provided ample help to the management in timely monitoring of goods but at the same time, it is costly and an adequate balance in between use of such facility and possible benefits thereof shall be considered with great importance. Bigger and universal retail businesses are paving their way into the Indian market, and to compete with them, Indian retailers have to undergo a total change in their approach of material handling and management of stock.

REFERENCES

- Aldridge, D and Harrison, A (2000) Implementing agile methods in retail supply chains: a scenario for the future, *International Journal of Agile Manufacturing*, 3 (2), pp 37-44
- Christopher, M (1998) *Logistics and Supply Chain Management*, Prentice Hall, London
- Fernie, J (1990) *Retail Distribution Management*, Kogan Page, London
- Foresight Retail Logistics Task Force (2000) @ Your Service: Future models of retail logistics, DTI, London
- McKinnon, A C (1996) The development of retail logistics in the UK: a position paper, *Technology Foresight: Retail and Distribution Panel*, Heriot-Watt University, Edinburgh
- Prasad, Lallan and Banerjee, A M (1982) *Operations Management*, New Delhi, Sterling Publishers Pvt. Ltd.
- David, J. Bloomsbery and Stephens, Leomay (2002) *Logistics*, New Delhi, Prentice Hall of India Pvt. Ltd.



ESCALATING INDIAN ECONOMY: ENDURING CONTRIBUTION OF WOMEN ENTREPRENEURS

Meera Singh*

ABSTRACT

Women, from ancient era, have been treated as a house-maid for performing all daily works related to the home and to the family. Being the source of energy they perform most of the daily works with their swift, experienced and able hands with smile on their face yet their effort do not recognised in calculation of GDP of any nation. In the 21st century, BRIC countries are supposed to grow faster and stronger and India is one of the developing nations of this group. Indian entrepreneurs have done very well and many women entrepreneurs have established their rapport in the world business arena. This paper deals with the role of women entrepreneurs and their efforts in empowering women in the world in general and in India in particular.

Key Words: Indian Women Entrepreneurs, Change in Women's Position, Business Women

INTRODUCTION

The women power has been commended and honoured at many stages in the past. Women, being the house manager upkeeps the houses, do daily activities of home and family and still considered as less knowledgeable than men. This situation has still not changed in underdeveloped and so called countries of third world. A kind of mix situation can be seen in India as well. India, being a country of diversified culture, terrain and social environment, has both these aspects present that are related to women. At some places one can see the very energetic, highly appreciated and always promoted group of ladies in the society while in many other underdeveloped or difficult to access areas of it, has the same medieval mentality towards the females. This mentality considers a housewife as a servant of the family and treats her in the same manner. May be lack of literacy among the citizens of India is one prime reason for this, but old customs and long-lasting traditions, which are still prevailing in typical Indian society, are also some factors to mention. It is also very much contradictory to understand that while Indians place a high regard on the goddesses of many names like, Laxmi ji, Saraswati ji, Parvati ji, Durga ji and Mahamaya ji; the same society consider their home's girls and ladies a burden some and 'no-salary home-maid' in place of homely deities. Of late a time came when the order of the world changed. A new form and a new structure emerged. This took thousands of years and tears of millions of women who with courage moved the mountain of debris of beliefs and freed themselves from the chains and shackles of centuries. The change came with the concepts of - *Evolving era of globalisation; Technological advancement; Penetration of Media and its role in changing the old customs; Impact of trans-national social, economical and cultural exchanges; and Some unanticipated events in the world.*

Becoming an entrepreneur did arouse a little dilemma in many women who have the potentialities for becoming one. However, to earn quick money was the basic reason for women to start entrepreneurship. They had a deep-seated need for a sense of independence along with a desire to do something meaningful with their time and to have their own identity instead of remaining closeted behind their husband's nameplate. Women with high education view at

entrepreneurship as a challenge, while for women with no education background find entrepreneur merely a means for earning money. These women needed little 'pull' and 'push' for venturing ahead as their circumstances forced them. On other hand, women, coming from good financial background need 'pull' and 'push' as at times they themselves were not aware of their own inner strengths and resources and wanted their husbands/ family members to decide the ways it should be utilised. Also the women of the upper crust society were hesitating to put forth the idea of taking up a non-traditional role. Most women business owners in Indian organisation were either housewives or fresh graduates with no previous experience of running a business. These women business owners were in traditionally women – oriented business like garments, beauty care, and fashion designing, which either do not require any formalized training or are developed from a hobby or an interest into a business. The classic example will be of herbal queen Lady Shehnaz Hussain who started her herbal-based treatment from the relatively small scale. In fact, she started literally from her kitchen domain to a chain of beauty parlours spread out across the nation and world. Shehnaz started her business as a hobby on a relatively small budget and made an herbal empire to be inherited by her family.

Women's entrepreneurship needs to be studied separately for two main reasons. The first reason is that women's entrepreneurship has been recognised during the last decade as an important untapped source of economic growth. Women entrepreneurs create new jobs for themselves and others and by being different also provide society with different solutions to management, organisation and business problems as well as to the exploitation of entrepreneurial opportunities. However, they still represent a minority of all entrepreneurs. Thus there exists a general tendency against women's possibility to become entrepreneurs and their possibility to become successful entrepreneurs. This market failure needs to be addressed by policy makers so that the economic potential of this group can be fully utilised. While without a doubt the economic impact of women is substantial, we still lack a reliable picture

*Assistant Professor, Department of Commerce, U.P. Autonomous College, Varanasi, India



Figure: Factors which induced changes in the role of women in the society

describing in detail that specific impact. Recent efforts initiated by many international organisations are showing that the lack of knowledge is prime factor behind this cause and it should be need to be ably handled by policy makers to think on this issue of importance.

The second reason is that the topic of women in entrepreneurship has been largely neglected both in society in general and in the social sciences in particular. Not only have women lower participation rates in entrepreneurship than men but they also generally choose to start and manage firms in different industries than men tend to do. The industries like retail, education and other service industries are considered as less important and less attractive for proper growth by men, but the same industries are being well

taken by women and in Indian context, these industries have played a major role in boosting household incomes and their petty but important savings. Furthermore, mainstream research, policies and programmes tend to be “men streamed” and too often do not take into account the specific needs of women entrepreneurs and would-be women entrepreneurs. As a consequence, equal opportunity between men and women from the perspective of entrepreneurship is still not a reality. Women’s entrepreneurship is both about women’s position in society and the role of entrepreneurship in the same society. Women are faced with specific obstacles (such as family responsibilities) that have to be overcome in order to give them access to the same opportunities as men. Also, in some countries, women may experience obstacles with respect to holding property and entering contracts. Increased participation of women in the labour force is a prerequisite for improving the position of women in society and self-employed women.

Women entrepreneurs play an important role in the entrepreneurial economy, both in their ability to create jobs for themselves and to create jobs for others. In Europe, estimates indicate that there exist more than 10 million self-employed women. In the United States 6.4 million self-employed women provide employment for 9.2 million people and create significant sales. Using the United States ratio between the number of employees and self-employment it may be estimated that employed women in surveyed European countries could employ around 15 million persons. This is a conservative estimate. Adding to that, self-employment represents one of the most important job opportunities for women. This is independent of what country or type of economy is observed. Self-employment represents an important job alternative for many women and perhaps especially for women in developing economies. It is also observed that in all countries women still represent a minority of those that start new firms, are self-employed, or are small business owner-managers. In India, such kind of women are in a great proportion, giving time to their own shops which is inbuilt in their houses and hence covering the family

| Country | Economic Impact | Year | Source |
|----------------|--|------|---|
| United Kingdom | In UK, Women represent 26% of the 3.2 million self-employed (n=824,659) | 1999 | Carter, et al (2001) |
| Germany | There are a total of 1.03 million women-owned businesses in Germany. Women-owned and managed businesses having annual turnover of the at least Euro 16,620 number 522,000; represent 18% of the total in this group, and provide jobs for 2 million employees. | 2000 | Kay, et al (2003) |
| Sweden | Women start 28% of genuinely new firms and employ on an average 0.6 full time employees compared to 1.7 for men. | 2001 | (ITPS, 2002) |
| South Korea | Women owned and managed firms represent 36% of all firms (n= 1.1 million) | 2001 | Korean National Statistics Office Korea Federation of Small Business |
| United States | Women owned and managed firms represent 28% of the 23 million firms (n= 6.4 million) and they provide employment for 9.2 million people. That represents 9% of all employed in the private sector. | 2002 | US Census |
| Canada | There are more than 821,000 women entrepreneurs and they contribute to an excess of CAD 18 109 billion to the economy annually. Between 1981 and 2001, the number of women entrepreneurs increased 208%, compared with a 38% increase for men. | 2003 | The Prime Minister’s Task Force on Women Entrepreneurs Report and Recommendations |

Source: OECD Report on ‘Women’s Entrepreneurship: Issues and Policies’

obligations and the business obligations at the same time. Another way of examining the role of women's entrepreneurship is to estimate the percentage share of the female workforce that is self-employed. Table 2, present an overview of a few selected Asian countries. The table shows the relative distribution of different labour status groups. The countries, which are all developing economies, it can be observed that self-employment represents a very important alternative for women in order to gain income. However, there is an important country variation where 84% of the female labour force is estimated to be self-employed in Nepal compared to 8% in Bangladesh. Even if we cannot estimate their economic impact for their respective countries, it can be concluded that they play an important role in providing resources for themselves and their families. This is of social and economic importance to their respective economies.

Table 2 - Percentage of self-employed women in some Asian Countries

| Category | Nepal (1991) | Thailand (1993) | Philippines (1990) | Pakistan (1992) | Bangladesh (1995-96) |
|----------------------|--------------|-----------------|--------------------|-----------------|----------------------|
| Employer | 0.36 | 0.8 | - | 1.2 | 0.1 |
| Self-employed | 83.69 | 18.2 | 31.2 | 42.4 | 7.6 |
| Employee | 11.69 | 31.4 | 46.1 | 34.2 | 8.7 |
| Unpaid family worker | 3.54 | 49.6 | 22.7 | 22.2 | 77.4 |

Source: Karim (2000), page 40

In conclusion it can be said that there exists a variety of ways of measuring women's entrepreneurship, both at the individual level (number of self-employed) and at the firm level (number of firms owned by women and their economic impact). Independent of the way different studies have been conducted, we find that women entrepreneurs have an important impact on the economy, both in their ability to create jobs for themselves and to create jobs for others. Obviously, this economic resource, if not untapped, has not been successfully explored yet. The reason for this will be discussed later on. It is also still difficult to estimate the actual economic impact of this group.

The Women Entrepreneurs of the 21st Century

With the moving wheel of time, women have empowered themselves with proper education, technological know-how and entrepreneurial skills. Women of today's era are from sophisticated learning environment, open thoughts and lavish work-culture, which make them to think out of the box. They gain professional knowledge from world-class institutions, and this works for some apart from the family legacy where proper first-hand experience of older generations crosses to younger ones for more powerful and dignified role of corporate handling. The 21st century is the century of telecom, IT and financial institutions. Women's expertise in all these industries is beginning to emerge and women are emerging as a force to reckon with. Many of these new industries are headed and guided by women who are seen as pioneers and mavericks. The loci of power of the board meetings are being shifted from- male-dominated board to female-administered board. The three examples which are given below will show the power of women entrepreneurship in Indian board meetings.

Sulajja Firodia Motwani



The first example in this paper on women entrepreneurship in India is from automobile sector. Sulajja Firodia Motwani is Joint Managing Director of Kinetic Engineering Ltd; she is the in charge of the Company's overall business developmental activities. She is also very

well performing the role of the Director of Kinetic Motor Company Ltd. and Kinetic Marketing Services Ltd. An MBA from Carnegie Mellon University, USA; Sulajja is an epitome of boldness and courage. During her tenure, the company has transformed itself from mere moped manufacturer to a company with great profile and variety of two-wheelers range. Kinetic company has collaborated with the well known Italian company, Italjet Moto. It is also working in partnership with Hyosung Motors of South Korea.

For Sulajja's great work and vision for the company, "India Today", a well known magazine honoured her by presenting her with the title of business "Face of the Millennium". It ranked her among the top twenty five business entrepreneurs of the country. She was presented with the Society Young Achiever's Award for Business in the year 2002. The same year, she was chosen as the "global Leader of Tomorrow" by the World Economic Forum. In the year 2003, the Institute of Marketing and Management bestowed her with the award for excellent performance as the woman CEO. She also received the Young Super Achiever Award from the leading magazine "Business Today" in 2003.

Kiran Mazumdar-Shaw



A successful technocrat of global standing, Ms. Shaw heads India's leading Biotechnology enterprise, Biocon. She is highly respected in the corporate world and has been recently voted by Nature Biotechnology as the most influential in Bio-

business person outside Europe and USA. Under her stewardship, Biocon has evolved from its inception in 1978 as an industrial enzymes company to a fully integrated Biopharmaceutical enterprise encompassing a well balanced business portfolio of products and services with a research focus on Diabetes, Oncology and Auto-immune disease. A leading US trade publication, Med Ad News, in its 2007 listings has ranked Biocon 20th amongst the leading biotechnology companies in the world and the 7th largest Biotech employer globally.

Apart from this, Ms. Shaw chairs Karnataka state's Vision Group on Biotechnology and also served on the Board of Science Foundation, Ireland. She presently serves on the Advisory Council of the Government's Department of Biotechnology where she has been instrumental in bringing government, industry and academia together, to chart a clear and progressive growth path for Biotechnology in India. Ms. Shaw is the recipient of several prestigious awards including the ET Business woman of the Year, Ernst & Young's Entrepreneur of the Year Award for Life Sciences & Healthcare, Technology Pioneer, etc. Her most cherished awards are the national awards, PADMASHRI (1989) and PADMA BHUSHAN (2005) presented to her by the President of India, for her pioneering efforts in Industrial Biotechnology.

Chanda Kochar



While Sulajja comes from Automobile area, Kiran is from Biotechnology sector, Chanda Kochar –the next CEO of ICICI Bank (will hold charge from May 2009) – belongs from Finance area. Ms. Kochar started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate credit, infrastructure financing, e-commerce, strategy and retail finance. Currently, she is working as Vice-President of ICICI Bank Ltd. She is particularly credited with building the retail business, guiding it from its nascent stages to establish a 1,400-strong branch and a huge 4,530-ATM network. She has been serving on the board of directors of ICICI Bank Ltd. since 2001.

These are the few examples of Indian Women's entrepreneurship. Many others which are linked to India like, Ms. Indira Nooyi, CEO, Pepsico Inc. are also example of great women leadership in the organization. Moreover, the entrepreneurial skill might have been developed in every woman in India as they manage all home affairs with a planned and organized manner. Still, those works are not noticed and taken as a routine job. Unfortunately, we also not include the value of their home work, which may otherwise be done by any other person on payment, in calculation of Gross Domestic Product (GDP) of the country. Their works place an important role in the development of nation though it may seem a routine house job.

However, the next millennium offers a space beyond the present horizon where, instead of hope there is active engagement with the world, instead of dreams there are commitments, instead of aspirations there are choices, instead of ideals there are convictions and instead of searching for bestowal's and affirmation there is acknowledgment of one's own uniqueness of identity. It is in this discovery that she can create and build an industrial empire from the first steps that she would have taken. In the next millennium, Indian women would have to cross a major threshold and enter an unknown land. They will have to walk a path where none existed with a sense to discover. They will have to encounter and live with excitement and enthusiasm as well as threat, fears, anxieties and terror. It is trust in the self, of the resource to be generated, of the courage to journey forth in a new land; to live through the terrain's of uncharted land that the women of today will shape the new identity. They will discover the voice, which has been silenced for centuries to sing the songs of life and living and to discover the joys of experiencing the beauty around.

Status of Women Entrepreneurs

Since the 21st century, the status of women in India has been changing as a result to growing industrialisation and urbanisation, spasmodic mobility and social legislation. Over the years, more and more women are going in for higher education, technical and professional education and their proportion in the workforce has also been increased. With the spread of education and awareness, women have shifted from the kitchen, handicrafts and traditional cottage industries to non-traditional higher levels of activities. Even the government has laid special emphasis on the need for conducting special entrepreneurial training programs for women to enable them to start their own ventures. Financial institutions and banks have also set up special cells to assist women entrepreneurs. This has boomerang the women

entrepreneurs on the economic scene in the recent years although many women's entrepreneurship enterprises are still remained a much neglected field.

Opportunities and Challenges for Women in Business

Empirical evidence shows that women contribute significantly to the running of family businesses mostly in the form of unpaid effort and skills. The value of this effort is underestimated both by the families that take it for granted and in academic studies. On the other hand, many of the enterprises defined as being run by women (that is, enterprises in which women hold the controlling share) are in fact run in their names by men who control operations and decision making. Programmes meant to reach women entrepreneurs can succeed only if they confidence, independence and mobility of women. Promoting entrepreneurship for women will require an even greater reversal of traditional attitudes than the mere creation of jobs for women would. This does not mean that we should wait for societal change to take place first. But it does imply that the programme should go beyond subsidies and credit allocation to attitudinal changes, group formation, training and other support services.

REFERENCES

- PARIKH, INDIRA J. and GARG, PULIN K. (1989), Indian Women: An Inner Dialogue. Sage Publications, New Delhi
- OECD. 2004, Women's Entrepreneurship: Issues and Policies, Turkey: OECD
- VISHWANATHAN, RENUKA (2001), Opportunities and challenges for women in business
- CHATTERJEE, PARAMITA (2007), The growth story of Indian women entrepreneurs. TNN
- RAMACHANDRAN, K. & RAMMARAYAN, S. (1993), Entrepreneurial Orientation and Networking: Some Indian Evidence. Journal of Business Venturing, Vol. 8, p. 513-524
- PARIKH, INDIRA J., & KOLLAN BHARTI (2004), Women Managers – From myths to reality, Working Paper No. 2004-03-06, Indian Institute of Management, Ahmedabad.
- SASIKUMAR, K. (2000), Women Entrepreneurship. UBS Publishers' Distributors, Kerala
- ALLEN, SHEILA, & TRUMAN, CAROLE (1993), Women in Business: Perspectives on Women Entrepreneurs. Routledge, UK
- MAHAJAN, V.S. (1989), Women's Contribution to India's Economic and Social Development. Deep & Deep Publications, New Delhi
- RANI, D. LALITHA (1996), Women Entrepreneurs. A.P.H. Pub. Corp., India
- KALBAGH, CHETANA (1991), Women and Development: Women in Enterprise and Profession. Discovery Publications, India
- NIIR BOARD (2007), Opportunities for Women Entrepreneurship: With Project Profiles by NIIR Board. National Institute of Industrial Research, New Delhi
- PARIHAR, POONAM, et.al. (2008), Impact of Motivational Factors and Role of Stress on Women Entrepreneurs in Jammu. Indian Res. Journal. Ext. Edu. 8 (2&3), May & September 2008, <http://www.hinduonnet.com/jobs/0512/2005121400170400.htm>



RETAINING COMPETENT HUMAN TALENT THROUGH IJP WAY – A CASE OF CITIFINANCIAL INDIA

V Vijay Durga Prasad*

ABSTRACT

Citigroup Inc., is prominent global financial services company with some two hundred million customer accounts in more than hundred countries and provides consumers, corporations, governments and institutions with broad range of financial products and services including consumer banking and credit, corporate and investment banking, securities brokerage and asset management. CitiFinancial India wants its employees to feel proud of the company they work for and feel that the contribution they are making is recognized and valued. CitiFinancial in India has introduced Internal Job Posting (IJP) to develop and formalize a process which helps to offer internal employees more opportunities for growth and learning. IJP is a mechanism by way of which open jobs and vacancies will be advertised internally to all employees in CitiFinancial India, for them to consider and apply as felt appropriate following certain guidelines and policies. It develops professional cross functional skills in order to achieve the desired career goals. In the light of the above description, this paper presents the concept of IJP which is developed and executed by CitiFinancial India.

Key Words: Internal Job Posting, Human Resource, Retention

INTRODUCTION

Citigroup is the prominent global financial services company with over two hundred million customer accounts in more than one hundred countries. Citigroup provides customers, corporations, governments and institutions with a broad range of financial products and services including customer banking and credit, corporate and investment banking securities brokerage and asset management. Citigroup is a family of companies that include Citibank, CitiFinancial, Citimortgage, Primerica, Smith Barney and Banamex. At the heart of these companies are 3,00,000 employees who are committed to maintaining a standard of excellence in serving customers and their local communities. CitiFinancial India along with the strong support of Citigroup Inc. has tremendous potential to offer a 'career of a life time'. As the company continues to grow a larger and stronger commitment from leadership on talent management are required for career management. The managers will not only be held responsible for financial targets but also people targets. The managers in CitiFinancial India have to play an active role in the career development of his or her team members so that a strong and secure performance oriented teams are formed.

Workplace in CitiFinancial India

The CitiFinancial India has deep commitment towards the franchise and shared passion for meeting customer's needs. The success of the company depends on all employees working together to deliver value to customers, share holders and feeling of sense of pride and fulfillment in what employees do. The company focuses on building management accountability, attracting talent and creating an inclusive work environment. The employee intranet serves as a means of binding rapidly growing number of employees together by a common thread – a thread of communication. This will act as treasure house of information, a meeting point to share ideas and thoughts with colleagues in a location thousands of kilometers away from where an employee operates. The Human Resources (HR) Organization has

undergone many changes along with the changing needs of the organization; from a transaction oriented organization it has streamlined with the aim to provide transformational services to employees. The organization in the HR function aspires to provide the best in class employee experience. It aims to identify the right talent for the right job at the right time to meet the growing organization's need. The company aims to select the talent and build a strong performance oriented team under strong leadership and management capability.

Retaining Competent Talent

Citigroup ensures that the workplace at all levels is representative of the diverse populations it serves and that it develops a diverse pool of candidates for senior management opportunities. Attracting and retaining diverse graduate, professional and undergraduate talent ensure a leadership pipeline that reflects the clients and communities it serves. Retaining the best talent in CitiFinancial is a key priority to the organization. The management wants the employees to feel proud of the company they work for and feel that the contribution they are making is recognized and valued. The senior management team travels the entire country to visit workplaces at different locations so that they can meet face to face with employees and provide a forum for open and honest communications.

Internal Job Posting

IJP is a mechanism by way of which open jobs and vacancies will be advertised internally to all employees in CitiFinancial India for them to consider and apply as felt appropriate following appropriate guidelines and policies. The IJP process has been scoped into Gen 1 and Gen 2 categories. Gen 1 will be used for advertising all positions i.e., officers up to managerial level within CitiFinancial India. The process here will be manual and the contact person in Human Resource Department (HRD) will post the jobs by e-mail to all employees in India. Gen 2 of the process will cover digitization of the process and integration of all countries

*Professor and Head, Dept of Management Studies, Potti Sriramulu College of Engineering and Technology, Vijayawada, INDIA

where Citigroup has its operations. The objectives of IJP are:

- To provide opportunities to internal talent with in Citifinancial India
- To provide and encourage cross functional lateral moves to employees so that employees learn about other businesses and acquire skills in unrelated area
- Formalize the IJP process with elements of transparency and simplicity.

Process of IJP

The process of IJP is consistent and transparent across the organization. Upon receiving a vacancy approval, the contact person in HR department will fill in the IJP form and send it to all India employees via e-mail. The contact person in HR will specify the job specifications (skills and responsibilities) on the form. The manager and the interested employee will jointly decide on the application and also on the tentative relieving date. Upon consent from the manager, the applicant will fill up the IJP application form and send it to the contact person mentioned on the form. If there is any concern around the manager's consent, the applicant can choose to speak with HR, the latter is supposed to conduct a proper interrogation and arbitrate between employee and manager. After receiving the form, the contact person in HR will evaluate the candidature and update status of application to the applicant within thirty days of receiving the application. If the applicant is short listed for the position, he or she will be interviewed by relevant people before he or she gets selected. All through the process, the applicant is supposed to keep his or her manager and HR department abreast of the process and status, such that the back up plan can be designed if the applicant is selected. The entire selection process will be very objective and will be conducted at par with selection of external candidates to ensure that the best candidate is selected for the job. An internal application does not guarantee the job and the applicant needs to go through necessary channels to be selected. During the processing of application, if an applicant changes his or her mind and is no longer interested in the post, he or she should immediately withdraw his or her application such that there is no delay in the process of selection in the interest of the business and other co-applicants. Upon selection the contact person in HR department will send an e-mail to the applicant, his or her manager and liaise with the HR department to ensure a smooth transition.

Eligibility Criterion

Apart from the specifications mentioned for the IJP post an employee should spend one and half years in his or her last role. On a 5 point scale (where 5 is outstanding) the applicant should have a performance rating of at least 3 and above (i.e., good and above). It is absolutely essential that interested applicant gets the signature of the concerned manager (under whom he is working) before forwarding the same to HR department. In case of absence of manager, then the employee should get the signature from whosoever he or she is reporting to. The rationale behind the same is three fold:

- **Business:** The employee if selected upon applying for the posted job will need to move into the new role which

will result in a vacancy in his or her position. For the sake of business continuity, it is important that the manager and the business unit is made aware before hand such that proper planning could commence and also tentative relieving date is decided, which is important for the releasing and the receiving business units.

- **Manager:** It is the responsibility of the manager to ensure that he or she is a part of the career growth of his or her team members. The manager can actually add value to the employee's career path and decision making as he or she is more experienced and also has a broader perspective of the business. This gives an opportunity for the manager to actively look into the development planning of an individual and in many cases could pro-actively further a team member's career. This ensures accountability and empowerment to the manager. This also gives him/her an opportunity to plan the resourcing of his or her unit for successfully achieving business goals.
- **Employee:** If the employee does not intimate his or her manager of his or her intent to apply, then the relieving date of the candidate from his or her current job could possibly be delayed owing to no replacement. Also it breeds a "closed culture" and negatively impact team work. In many cases, the manager can actually coach and help employees to get the job he or she has applied for.

Thus it is in the interest of all that there is an open communication channel and platform between employee and manager on IJP such that all can benefit from the same.

CONCLUSION

CitiFinancial India along with the strong support of Citigroup Inc. has tremendous potential to offer a career of a life time through IJP process. As the organization continues to grow there is larger and stronger commitment from leadership on talent management and career management that would mean that managers will not only be held responsible for financial targets but also people targets. This encourages managers to play an active role in the career development of his or her team members such that together they can make a strong and secure performance oriented team.

REFERENCES

- Buenger, V. (2006) Talent Management Systems: Best Practices for recruitment, retention, and workforce planning, Human Resource Management, 45 (2), 279
- Luis R. Gomez-Mejia (et. al. 2003), Managing Human Resources. New Delhi: Pearson Education
- Smart, Bradford D (1999) Top Grading: How leading companies win by hiring, coaching and keeping the best people. New York: Prentice Hall
- Michaels, E., H. (et. al. 2001) The war of talent, MA, Harvard Business School Press
- Raina, Anupama D. (January 2006) Retention, ICFAI Journal of Organisational Behaviour
- "Character of our company" from www.citigroup.com/citigroup/citizen/diversity/data/diversity05_en.pdf
- "Citizenship Report" from www.citigroup.com/citigroup/citizen/community/data/citizen04_en.pdf



TOURISM IN KERALA: A STUDY OF THE IMPERATIVES AND IMPEDIMENTS WITH FOCUS ON ECO-TOURISM

Manoj P K*

ABSTRACT

Worldwide governments have recognized tourism as a sector with immense potential for economic development and employment generation. Various international agencies WTO have pointed out the vast developmental potential of tourism, particularly with reference to the developing nations like India. In spite of the wide recognition of the vast developmental potential of tourism, there are growing apprehensions regarding the sustainability of tourism as a development paradigm. This in turn is primarily because of the adverse impacts of tourism on the environment and as such it is growingly believed that environment friendly tourism (ecotourism, in short) alone can be sustainable for development in the long run. This paper seeks to (i) make a cursory review of the current status of global tourism and its broad trends and patterns, with special reference to the growingly significant concept of ecotourism, (ii) make an overall study of Indian tourism and its problems and prospects, (iii) make a detailed analysis of Kerala tourism, its salient features, strengths and weaknesses, and lastly (iv) suggest eco-friendly strategies for sustainable tourism development in Kerala. The paper considers, inter alia, relevant global and Indian experiences, ever-growing environmental issues relating to tourism, and above all the peculiar socio-economic, geographic and such other characteristic features peculiar to Kerala tourism.

Key Terms: Tourism Vision 2020, Ecotourism, Sustainability.

INTRODUCTION

All over world, particularly among the developing nations, tourism is fast picking up as a tool for economic development and employment generation. However, the question as to the long-term sustainability of tourism is increasingly becoming a challenge for all concerned, because of the adverse effects of tourism on the environment. As such, there is a growing significance for environment-friendly tourism (ecotourism) initiatives for long-term sustainability. The case of tourism in the Asia-Pacific region in general and India in particular may be taken as a classic example in this regard. Notwithstanding the appreciable performance of Indian tourism over the last few years, it's relative performance vis-à-vis other nations of the world is not so encouraging. Analogously, though Kerala tourism has got an enviable potential for growth its relative position among the Indian states is quite small, in spite of appreciable growth over the last few years. In this regard, it may be stated that meticulously planned, carefully designed and clearly articulated strategies are essential to maintain and further improve the performance of tourism sector in the days to come. These strategies for tourism development in turn need to be formulated based on sound principles of ecotourism, for ensuring their long term sustainability. The potential of tourism for economic development is quite promising for any developing nation like India. But, the utmost need for promotion of eco-friendly and sustainable tourism cannot be overlooked also, particularly for a developing nation like India, which in general is less

conscious about environment, and also a late entrant into the field of developmental tourism. This situation is more acute in respect of Kerala – the state in India with one of the best physical infrastructure for tourism development, though grossly underutilized at present.

Objectives of the Study

In the above context, the objectives of the paper are set as follows:

- To make a cursory review of the current status of global tourism and its broad trends and patterns, with special reference to the growingly significant concept of ecotourism,
- To make an overall study of Indian tourism and its problems and prospects,
- To make a detailed analysis of Kerala tourism, its salient features, strengths and weaknesses.
- To suggest eco-friendly strategies for sustainable tourism development in Kerala

Part – I

A Review of Global Tourism Scenario: Growing Significance of Ecological Sustainability

Global Tourism: General Trends

Tourism is inherently a highly social business that has carved a niche for itself globally. This worldwide phenomenon is growingly recognized as an effective tool for economic

*Faculty, Dept. of Applied Economics, Cochin University of Science and Technology, Kochi, KERALA, India

development of nations by generating employment, earning revenue and foreign exchange, and acting as a means for upward social mobility through interaction with cultures from elsewhere in the world. The social nature of tourism is reflected in the presence of large number of diverse stakeholders in the host-guest relations forming part of tourism, and also in the behaviour of individual tourists, which is often taking place publicly. The impact of tourism on the diverse facets of an individual's life, a society's customs and practices, and a government's policies and priorities have got far reaching implications. Table I gives an account of the international tourism policies.

| Phase | Characteristics |
|----------------------|--|
| 1945 - 1955 | The dismantling and streamlining of police, customs, currency, and health regulations following the Second World War |
| 1955 - 1970 | Greater involvement in tourism marketing in order to increase tourism earning potential. |
| 1970 - 1985 | Government involvement in supply of tourism infrastructure and in the use of tourism as a tool for regional development. |
| 1985 - present | Continued use of tourism as a tool for regional development, increased focus on environmental issues, reduced direct government involvement in the supply of tourism infrastructure, greater emphasis on development of public-private partnerships and industry self-regulation. |
| Late 1990s (onwards) | In addition to the characteristics for the period from 1985 to the present, there is now an emerging stage of international tourism policy marked by international regulation and agreement with respect to matters such as environment, trade in goods and services, investment and movement of people. |

Source: OECD (1974), Hall (1994, 2000) and Hall and Jenkins (1995), cited by Hall, C.M in Pender and Sharpley (Ed.), *The Management of Tourism*, Sage, New Delhi, 2005

From an analysis of global scenario in respect of tourism, it is apparent that there is almost universal acceptance by governments around the world, regardless of ideology, that tourism is a good thing, with most tourism policies being designed to expand tourism industry (Hall, C. M., 2005). Thus, apart from the immense potential of tourism to contribute positively to socio-economic, political and cultural environment of a nation, tourism is increasingly being recognized as an effective means of economic development, particularly by the developing nations of the world. This policy shift by the governments is more prominent among the countries in the Asia-Pacific region including India, because this region has been lagging behind the world in tourism development. As is evident from Exhibit II, there are excellent growth prospects for tourism in the Asia-Pacific region, wherein tourism is growing at a fast pace of late. However, the growing challenges posed by tourism on the environment are as important as its ever-increasing growth prospects.

Part – II

Problems and Prospects of Indian Tourism: an Analysis from a Global Perspective

Tourism in India: Location Advantages and other Favourable Features

Tourism is fast emerging sector which has got immense potential for bringing in rapid economic development of nations, particularly in developing nations like India. India has certain unique features that make it specially suited for taking maximum advantage out of tourism promotion. It is well-known that India is the seventh largest, second most populous, tenth industrialized and the sixth nation to have gone into outerspace in the world. However, India's uniqueness in respect of attracting the world as one of the most sought after tourism destinations lies primarily in her very rich cultural heritage, presence of so many historical places including world wonders like the Taj Mahal, very vast coastal areas and hillocks that are exceedingly serene. Because of these reasons, from time immemorial India has been a land of bounty and prosperity, a nation with vibrant colours with people who are joyous and tolerant. Further, geographically also there are certain peculiarities that are favourable to India which make this country stand out distinctly from the rest of the world. India and its five neighbouring countries (viz. Pakistan, Bangladesh, Bhutan, Nepal, and Sri Lanka) together form a self contained mass of land, fit to be called as a major sub-continent within the continent of Asia. In fact, physical unity to this sub-continent is provided by the numerous ranges and mountains in the North and mighty water bodies in the south. Further, the mountain ranges comprising of Kirthar, Sulaiman, Hindukush, Karakoram and Himalayas cut-off the sub-continent from the remaining parts of Asia. Besides, the Peninsular region of this sub-continent is surrounded by water bodies like the Arabian sea in the west, Indian ocean in the south and the Bay of Bengal in the east. It is worthwhile to note that the third largest ocean in the world came to be known as Indian ocean as the sub-continent of India is located at the head of this ocean. India's extensive mass of land covers an area of 32,80,483 sq. km and is the seventh largest country in the world after Russia, China, Canada, USA, Brazil and Australia. India is favourably situated in the world's highways of trade and commerce. The oceanic routes serving South East Asia and Australia pass through the Indian Ocean. India is connected with Europe, North America and South America through Suez Canal and the Cape of Good Hope. In short, India has got a geographical location, natural resources, and a historical and cultural background which are quite conducive for tourism.

Huge Potential, not Properly Tapped; but Appreciable Growth since FY 2003

India's excellent tourism has been grossly underutilized. In respect of foreign tourist arrivals, for instance, the growth trend has been rather poor till FY 2002, as evidenced by low single digit or even negative growth rates, in spite of a generally growing pattern of the absolute figures. But, since FY 2003 there has been reasonably consistent double digit growth rate. (Table 2.1)

Table 2.1 Foreign Tourist Arrivals in India

| Year | Foreign Tourist Arrivals (in million) | Percentage Change over the previous year |
|---------------------|---------------------------------------|--|
| 1996 | 02.29 | 08.00 % |
| 1997 | 02.37 | 03.50 % |
| 1998 | 02.36 | -00.40 % |
| 1999 | 02.48 | 05.10 % |
| 2000 | 02.65 | 06.90 % |
| 2001 | 02.54 | -04.20% |
| 2002 | 02.38 | -06.30% |
| 2003 | 02.73 | 14.70 % |
| 2004 | 03.46 | 26.70 % |
| 2005 | 03.92 | 13.30 % |
| 2006 | 04.45 | 13.50 % |
| 2007 | 05.08 | 14.30 % |
| 2008 (Jan-June) (P) | 02.72 | 11.10 % |

Source: GOI (1996-2007), Official Statistics of Bureau of Immigration

In respect of India's share in international tourism also, the trend has been quite similar to the one relating to foreign tourist arrivals. That is, till FY 2002, the share has been quite poor, so also the growth rates over the years. However, since FY 2003, there has been a consistently high growth rate. But, still India's share in international tourist arrivals is just about 0.52% (2006). (Table 2.2) clearly depicts the above pattern of India's tourism growth vis-à-vis the entire world. The share of India in international tourism receipts shows a similar pattern (Table 2.3).

Table 2.2 Share of India in International Tourist Arrivals

| Year | International Tourist Arrivals (Millions) | | FTAs in India | Share of FTAs in India(%) | |
|-------|---|---------------------|---------------|---------------------------|--------------|
| | World | Asia-Pacific Region | | World | Asia-Pacific |
| 1996 | 572.40 | 90.40 | 02.29 | 00.40 % | 02.53 % |
| 1997 | 596.00 | 89.70 | 02.37 | 00.40 % | 02.65 % |
| 1998 | 614.30 | 89.40 | 02.36 | 00.38 % | 02.64 % |
| 1999 | 637.40 | 98.80 | 02.48 | 00.39 % | 02.51 % |
| 2000 | 684.70 | 110.60 | 02.65 | 00.39% | 02.40% |
| 2001 | 684.40 | 115.80 | 02.54 | 00.37 % | 02.19 % |
| 2002 | 704.70 | 124.90 | 02.38 | 00.34 % | 01.91 % |
| 2003 | 692.20 | 113.20 | 02.73 | 00.39 % | 02.41 % |
| 2004 | 761.00 | 144.10 | 03.46 | 00.45 % | 02.40 % |
| 2005 | 803.00 | 155.30 | 03.92 | 00.49 % | 02.52 % |
| 2006 | 847.00 | 167.00 | 04.45 | 00.53 % | 02.66 % |
| 2007* | 903.00 | 184.30 | 05.08 | 00.56 % | 02.76 % |

Source: Tourism Market Trends, 2006 Edition (UNWTO) for the years upto 2004, UNWTO Barometer, Oct. 2007, for 2005, 2006 and 2007

Table 2.3 Share of India in International Tourism Receipts in World

| Year | International Tourism Receipt in World (in USD Billion) | Tourist Receipt in India (in USD Billion) | Percentage share of India |
|---------|---|---|---------------------------|
| 1996 | 438.30 | 02.832 | 00.65 % |
| 1997 | 441.80 | 02.889 | 00.65 % |
| 1998 | 444.10 | 02.948 | 00.66 % |
| 1999 | 457.30 | 03.009 | 00.66 % |
| 2000 | 474.10 | 03.460 | 00.73% |
| 2001 | 462.20 | 03.198 | 00.69 % |
| 2002 | 480.10 | 03.103 | 00.65 % |
| 2003 | 527.20 | 04.463 | 00.85 % |
| 2004 | 629.00 | 06.170 | 00.98 % |
| 2005 | 680.00 | 07.493 | 01.10 % |
| 2006* | 742.00 | 08.634 | 01.16 % |
| 2007** | 856.00 | 10.729 | 01.25 % |
| 2008*** | NA | 6385 (Jan-Jun 2008) | NA |

Source: Tourism Market Trends, 2006 Edition (UNWTO) for the years upto 2004, UNWTO Barometer, Oct. 207 and June 2008, for 2005, 2006 and 2007. and Ministry of Tourism for Tourism 2008, for the period Jan – June 2008

Broad Trends of Economic Benefits of Tourism; Appreciable Growth since 2002

Tourism greatly contributes towards the national GDP and also creates high level of employment opportunities. Table 2.4 shows that in India the share of tourism in the overall GDP is reasonably high though it is only about half that of international average. In respect of employment generation, the share of employment offered by Indian tourism is slightly higher than the world average. This fact points to the immense potential of Indian tourism to create more employment opportunities. In fact WTTC estimates that the top ten countries with the greatest expected relative growth in employment over the next ten years are all developing countries.

| Indicators | India | World |
|--------------------------------|------------------------------|-------------------------------|
| Contribution of Tourism to GDP | 05.83% (2003) | 10.00% (2002) |
| | 05.90% (2004) | 10.20% (2003) |
| | 06.11% (2005) | 10.40% (2004) |
| | NA (2006) | 10.60% (2005) |
| Employment in Tourism Sector | 38.6 million (8.27 %) (2003) | 198.098 million (7.8 %)(2002) |
| | 41.8 million (8.78%) (2004) | 194.562 million (7.6 %)(2003) |
| | NA (2005) | 214.697 million (8.1 %) |
| | NA (2006) | 221.568 million (8.3 %) |

Source: GOI, *Tourism Statistics 2006 at a Glance*, Ministry of Tourism.

Part – III

Kerala Tourism: an Analysis of Features, Strengths and Weaknesses

Kerala Tourism: Salient Features

Kerala is one of the most sought after tourism destinations in the whole world. Kerala, the God's own country, is a global super brand and is recognized as a pioneer and trendsetter in the country. Naturally, Kerala tourism has bagged many awards, both national and international for its excellence in tourism initiatives. These include, inter alia, the following:

I. International Awards:

One of the three finalists at the WTTC (World Tourism Travel Council) 'Tourism for Tomorrow' awards in the destination category, 2006, Das Golden Stadttor award for the Print campaign, 2007, Das Golden Stadttor Award for Best Commercial, 2006

II. International Awards – PATA (Pacific Asia Travel Association) Awards

Grand award for Environment, 2006, Gold award for Ecotourism, 2006, Gold award for Publication, 2006, Gold Award for E-Newsletter, 2005, Honourable Mention for Culture, 2005, Gold Award for Culture, 2004, Gold Award for Ecotourism, 2004, Gold Award for CD-ROM, 2004 and 2003, Gold Award for Marketing, 2003, and Grand Award for Heritage, 2002

III. National Awards – Govt. of India

Most Innovative Use of Information Technology, 2005-06, Best Performing Tourism State, 2005, Best Maintained Tourist-friendly Monument, 2005, Best Publishing, 2005, Best Marketed and Promoted State, 2004, Best Maintained Tourist-friendly Monument, 2004, Best Innovative Tourism Project, 2004, Best Promotion Literature, 2004, Best Publishing, 2004, Best Performing State for 2003, 2001, 2000 and 1999 - Award for Excellence in Tourism. (For rapid growth, development and advancement in the tourism sector) Best Tourism Award from Govt of India in 2007; and two more awards (i) Best Tourism Village (Aranmula) (ii) Best Tourism Website, www.keralatourism.org

Strengths of Kerala Tourism

- Excellent geographical features, extremely serene environments that attract tourists the world over – lakes, hillocks, vast coastal areas, network of 44 rivers, waterfalls, lush green paddy fields, sprawling plantations, exotic wildlife etc. Well known destination for medical tourism; both 'Ayurvedic' centres and world class health care (modern medicine) at cheap rates. Above all, the world famous brand, 'God's own Country' also.

- Recognitions and awards, both from National and International agencies. Six times winner of Best Tourism state from Govt. of India.
- Consistent increase in the number of tourist arrivals, both domestic and foreign.
- In respect of foreign tourist arrivals, Kerala in one among the best 10 states in India.
- One of the highest growth rates in tourist arrivals. The number of tourist arrived in Kerala in 2006 is 4.28 lakhs in 2006 as against 3.46 in 2005. (13.14 % increase)
- About 10% share of Kerala in Indian tourism.

Weaknesses of Kerala Tourism

- The share of Kerala in Indian tourism is wavering at about 10%, not increasing over the years. In 2003, it was 10.81% which declined to 8.85% in 2005 and slightly improved to 9.67% in 2006.
- Not among the best ten states in India in tourist arrivals (domestic), though one among the best ten in foreign tourist arrival and that too eight.
- Gross underutilization of the excellent tourism potentialities of the state, hence there is an urgent need for scaling up of tourism initiatives for optimal results.
- Kerala lags behind all the three south Indian states in tourist arrivals, Andhra Pradesh, Tamil Nadu and Karnataka.
- Under-utilization of immense tourism potential, like the classic tourist attractions like House Boats, Tree Houses etc.

Part – IV

Eco-Friendly Strategies for Sustainable Tourism Development in Kerala

Private Sector Participation through PPP (Public-Private Partnership) Model

Participation of private sector appears to be essential in the Kerala tourism because of the resource constraints of the Government. The Government may play the roles of both an enabler and regulator. Firstly, as an enabler / facilitator – who provides the licenses to private agencies who fulfill the norms laid by the government and also agrees to comply with pre-fixed norms of service quality, use of natural resources, pollution control norms etc. Secondly, as a regulator the government ensures strict adherence to the pollution control, use of resources, service quality etc. by the private agencies and takes remedial / corrective action in case of defaults.

Better Infrastructure and Capacity Building amongst the Local Community

Better infrastructure facilities, like, road lines, air ports, accommodation facilities, drainage and sanitation facilities etc. need to be created with immediately for faster tourism



development. India has to go a long way in this regard. Apart from infrastructure creation as above, a holistic and integrated approach would call for considerable amount of capacity building amongst the local community to manage and operate the tourism sector.

Easier Entry/Immigration Facilities are Vital

The norms prevailing in India being rather procedural, the same need to be overhauled based on international best practices. That is to say, either a (i) Visa-Free situation, or (ii) Visa-on-Arrival situation need to be ensured, in order to attract more foreign tourism.

Enhanced Level of Services and Utilities to the Tourists

Better services need to be provided to the international tourists, who include inter alia, readily accessible information kiosks, information guides / bulletins, clean public utilities (sanitation, drainage etc.), hassle-free arrivals, improved hygienic conditions in tourism sites and surroundings, clean air ports and railway stations and so on.

Thrust on Responsible Tourism and Eco-tourism

Added thrust on responsible tourism appears to be quite desirable in Kerala because of the peculiar socio-economic scenario in Kerala. Complete co-operation from the various stake holders is a must for sustainability in the long run. Particularly important is the need for promotion of ecotourism in Kerala, as it ensures "responsible travel to natural areas that conserves the environment and improves the well-being of local people".

Special thrust on Medical Tourism, especially Ayurvedic Tourism

Given the excellent healthcare system in Kerala – one of the best in the entire country and also quite comparable with many advanced nations of the world, concerted efforts to promote medical tourism is quite advisable. The main attraction is very low charges for medical treatment of world class quality that is available here. Another focus area should be 'Ayurvedic' tourism. This niche segment has special relevance in this state which is world reputed for its ayurvedic centres.

Complete Co-operation and Support from Local Populace

Last, but not the least, full co-operation and support from the local population need to be ensured. For this their representation in all policy making forums is absolutely essential. Needless to mention tourism policies sans local support would not be sustainable in the long run. Moreover resentment or hostility of the localities may alienate the tourists also.

Concluding Observations

Of late, there has been increased thrust on tourism development in India and so also in Kerala. While tourism

has got excellent prospects for promotion of rapid economic development of India, particularly in a resourceful state like Kerala, the sustainability aspect of tourism needs more attention in government policies. That is, there is need for adoption of ecotourism in its true letter and spirit. This in turn necessitates a concerted action from the part of all concerned, for the cause of sustainable tourism development. In view of the resource constraints of the government for developing countries like in India private sector participation seems imminent, thus underlining the need for a PPP approach towards a holistic, integrated and sustainable tourism development. As the full potential of tourism of India in general and Kerala in particular are yet to be fully tapped, eco-friendly strategies as suggested assume cardinal significance for rapid and sustainable economic development of the region.

REFERENCES

- Brundtland G.H. (1987), *The Brundtland Report, World Commission on Environment and Development*, Oxford University Press.
- Bhardwaj, D.S. (et. al. 1998), *Domestic Tourism in India*, Indus Publishing Company, New Delhi., First Edition.
- Chatak, G.R. (2007), *Sustainable Tourism Codes and Guidelines*, Cyber-Tech Publications, Daryaganj, New Delhi, First Edition.
- Deiffie, J (1981), "Who will watch the bird watchers?", *Wild Life Review*, Vol X, No. 7, pp. 23-24.
- Economic Review 2006*, State Planning Board, Government of Kerala, March 2007.
- Kabia, Sunil K. (2005), *Tourism Industry*, Reference Press, New Delhi, First Edition.
- Kabia, Sunil K. (2005), *Tourism and Environment*, Mohit Publications, New Delhi, First Edition.
- Lane, B. (1991), "Sustainable Tourism, a new culture for the Interpreter", *Interpretation Journal*, Vol. 49.
- Nigam, Satish C. (2006), *Ecotourism and Sustainable Development*, Rajat Publications, New Delhi, First Edition.
- Pender, Lesley and Sharpley, Richard (Eds), *The Management of Tourism*, Sage Publications, New Delhi, 2005.
- Rajan, J. (2005), "Eco-tourism Development: International Covenants", in Sarngadharan, M & Raju, G. (Eds.) (2005), *Tourism and Sustainable Economic Development: Indian and Global Perspectives*, New Century Publications, New Delhi.
- Sarngadharan, M & Raju, G. (Eds.) (2005), *Tourism and Sustainable Economic Development: Indian and Global Perspectives*, New Century Publications, New Delhi.
- Sinha, P.C. (2006), *Global Tourism, Sustainable Tourism & Ecotourism: Code of Ethics, Charter, Guidelines, Resolutions*, SBS Publishers & Distributors Pvt. Ltd., New Delhi.
- Sundaram, I.S., "Tourism: India Awakens to 'Incredible' Opportunities", *Business and Economic Facts for You*, Dec. 2007, Vol. 28, No.3, pp.7-10.
- Verma, Jagdish (2007), *Dynamics of Indian Tourism Issues and Challenges*, Cyber-Tech Publications, Daryaganj, New Delhi, First Edition.

A STUDY ON STRAIGHT THROUGH PROCESSING IN NON – LIFE INSURANCE OPERATIONS WITH SPECIAL FOCUS ON CLAIMS PROCESSING & SETTLEMENT

C. M. Maran*

ABSTRACT

Straight through processing (STP) is the latest system concept to the insurance industry, it connects the each and every function of the business is automated. In the Insurance company the process starts from underwriting to claims settlement each should be automated with the necessary tools to enable the un intervened process flow. This study focus on the contribution of STP towards the insurance industry, and it describes the factors which affecting the company to enable STP in it. Then it explains about the STP usefulness in insurance operations like underwriting, policy management, claims follow management and electronic payment system in the insurance company.

Key words: STP, Claims, Underwriting, Policy Management

INTRODUCTION

Insurance industry is today facing pressure from number of directions like increased competition, innovation in the technology, rules and regulations from the Government, changing customer preferences, product commoditization, rapidly changing distribution landscape and many more. At the same time powerful distributors, media consumerism due to many players made the customer to raise expectations. Surviving in the industry will require companies to reduce the operating cost with delivering higher standards of service to customer and the distributors. For this is to be happened the company should streamline its operations by straight through processing (STP) and intelligent automation. Through which the cost per transaction is reduced. This study focus on the contribution of STP towards the insurance industry, and it describes the factors which affecting the company to enable STP in it. Further the study delivers an in depth analysis of the insurance operations, process and procedures of the insurance company. Then it explains about the STP usefulness in insurance operations like underwriting, policy management, claims follow management and electronic payment system in the insurance company.

OBJECTIVES OF THE STUDY

- To define Straight through Processing and its characteristics in insurance operations.
- To identify the factors which enable straight through processing in an insurance company
- To identify the transactions, that could benefit from STP especially in claims processing and settlements.

REVIEW OF LITERATURE

STP is like transforming and transporting information completely, accurately, systematically, and in a timely

fashion, to its initial execution/processing location. And the two types of factor which motivate the company go for STP namely internal factor and external factor, the external factors are reducing cycle time from week to days and reducing operational cost and operational risk in the claims processing.

STP is differentiated into three layers Intra-STP, extra-STP and Global-STP. Intra-STP refers to STP implementation inside the organization and among all of its branches. Extra-STP refers to STP between firms which allows direct access into other companies' internal processes and facilitates an industry-wide integrated straight through process. Global-STP refers to a set of interconnected extra-STPs that covers worldwide boundaries. It represents the level of integration of core processes, systems, and information interchanged within firms, between firms, and between industries. It is the largest and most complicated integration of STP. Moreover it describes the building blocks of STP where STP building blocks represent the stages of STP progression from intra-STP to global-STP. As a result of this progression, a typical firm would experience a reduction in the transaction cost associated with STP.

Straight-through processing (STP) has generated increasing discussion and marketing momentum throughout the securities industry. Today, this catch-all acronym for post-trade technology, integration and automation has become so pervasive that it seems to have taken on a life all its own. However, new research from Tower Group says it may be time to deliver a eulogy for the usefulness of this acronym, particularly when it comes to one key audience: the asset manager. The incentive for each industry segment to automate the exchange of information is too often lost within generic value propositions.

*Asst Professor (Senior), Information Systems, VIT BUSINESS SCHOOL, VIT UNIVERSITY, Vellore, Tamil Nadu, India

STP requirements for a company which go for STP implementation like the new approach to implement STP, needed technological up gradation to improve the efficiency of operations in the insurance company. The importance of data integrity at the time of transformation from an ordinary business process to STP enabled business process environment. Further the need of disaster recovery provision of data in the new business environment. Moreover the importance of integration with business partner and changing the company people to accept the new business environment.

RESEARCH METHODOLOGY

Descriptive study

The study was descriptive in nature which will explain the above objective. And it will describe the effectiveness of STP in insurance operations, like policy management, claims management from claims approval to settlement. The research was carried out by using secondary data collected from various research articles published in the websites and journals.

Limitations of the study

- The study was limited with the secondary data available in internet

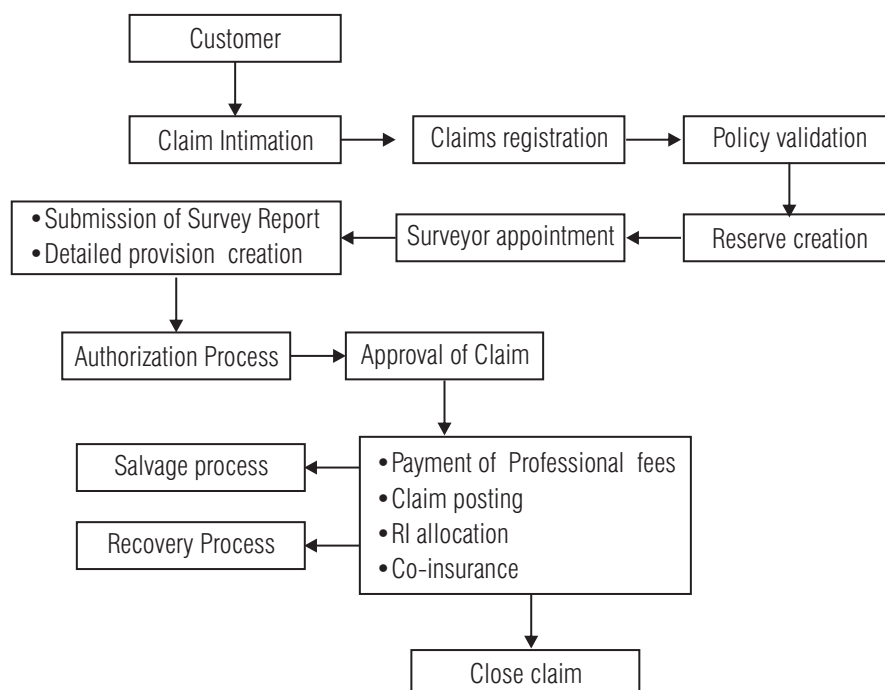
- The study was done to get the overall picture about STP in insurance company only.
- This study was more focused on STP in claim processing only other than claims processing other important functions are there in the insurance company.
- It explains the STP usefulness in the transactions of insurance, if it delivers an idea about STP value in employee management.

CLAIMS FLOW IN INSURANCE OPERATIONS

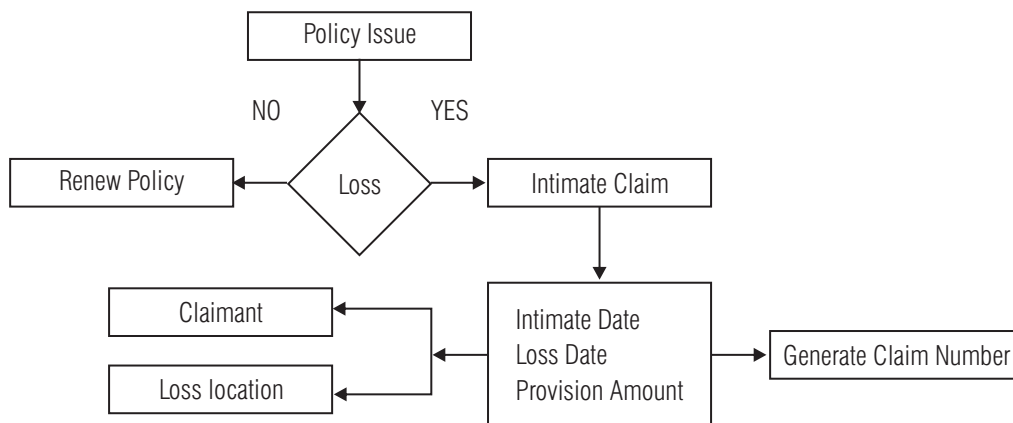
Claims Operation for a non life insurance company

Claims are essentially requests to the insurance company for losses incurred that fall within the terms covered by an insurance contract. The claims operations are classified similar to policy based on the class/sub class of the business (for example, products belonging to Fire, motor, marine, RID and Miscellaneous and so on). Further classifications can also be made based on the nature of business whether direct or inward policy or business through broker/development officer. On Settlement of a claim all the related accounting entry, RI allocation, Co-insurance allocation, and FAC allocation entries are generated.

The overall process flow of a claims processing:



**Rules involving in the movement of claim to the next stage:
 Claim intimation and Registration:**



CLAIMS REGISTRATION PROCESS FLOW

Claims Operations

Claim Intimation and Registration

The process flow is illustrated as follows:

Step 1: Once a loss occurs, the customer intimates the claim to the insurance company. The following details need to be captured on intimation for the claim to be registered:

Date and Nature of loss, Policy details including policy period, Cause of Loss, Discovery Date, and Amount Claimed

Claims Estimate

Step 2: Once the initial information has been collected the Claim is to be registered and a Claim Estimate provision

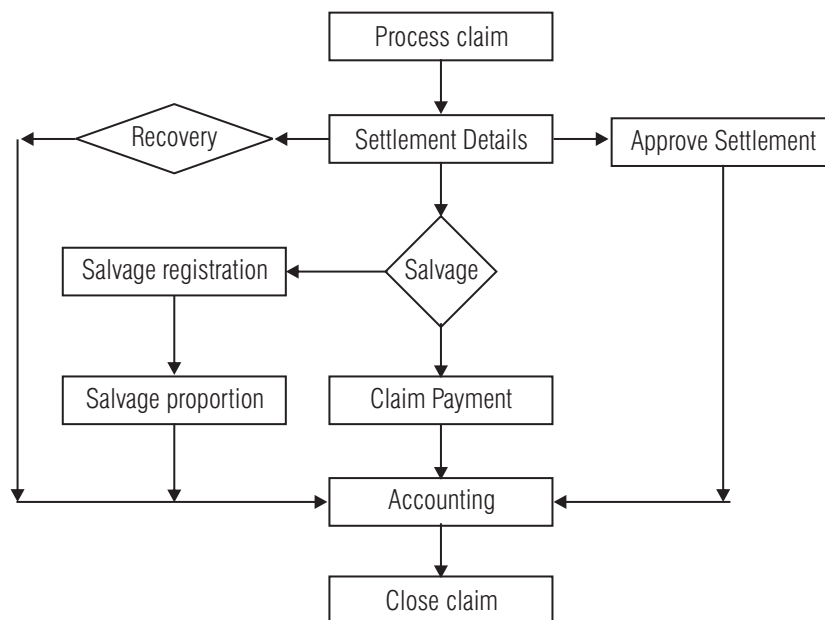
created. When a loss occurs, the claim needs to be registered with the insurance company.

Claims Processing

Once registration is complete, you can capture the required details including: Provision details, Details for appointment of surveyor for verifying the claim (if applicable), Define the checklists and set the mandatory documents for submission, and Enter a claim note record if required .

Claims Settlement

Once registration and processing are complete the claim is ready for settlement, which is done in two stages, that is, settlement entry and approval. Step 1: Approve the verified loss provisions created during claims registration through this settlement screen. You can choose to make a partial payment or complete payment during settlement.



Claims Settlement Process



CLAIMS FLOW IN STP ENVIRONMENT

Streamlined notice of loss

In the claims processing timely and accurate capture of loss is critical to the business. The loss of claim, the faster can trigger and control the claims process and the company can offer higher customer satisfaction. In STP environment such quality is assured and it will increase the customer satisfaction level. In STP a communication channel is created where first notice of loss or first report of injury can be created. Particular type of loss is connected with certain business type which is in the system at the time of loss, the system itself assign the right claims with the right personnel.

Robust analytical functionality in STP

Straight through processing provides some reporting tools to the insurer so that the insurer can deliver the correct information throughout its operational level which is related to claims processing. Business intelligence components in STP can help the insurer in producing comprehensive analyses claims information. And STP can provide the specific sample reports; these reports provide real time displays of key performance indicators.

Comprehensive negotiation and litigation management

In claims processing claims adjusting is very critical process which will make the company profitable. Using this adjusting section of the electronic claim file the insurer can document and display all offers, demands and histories of specific negotiation. Using this option in STP the claims personnel can quickly determine the status of the claims. Claims handlers and supervisors can know which parties proposed offers, when they proposed them and the amount of the offers. Claims handlers can also use the data for the negotiation section to document their arguments and prepare for discussions, arbitrations or mediations. If there is any litigation happened these data from STP enabled system will help the claims managers. Using STP claims operations insurer can track various lawsuits for different type of claims, as well as class action lawsuits.

Flexibility for exceptional

STP will allow the user to set up reserves manually or automatically for each type of coverage. STP supports case, supplemental, incurred-but-not-reported, and unallocated loss-adjustment-expenses reserves.

Payment capabilities

STP allows the insurer to pay the claims compensation through multiple ways like through cheque, bank transfer, DD or any mode. Immediately after the transaction is done the system creates a payment order and transfer the order to invoicing software which is enabled with the system

for execution. Then all the financial accounting steps have been performed by the software like updates to the general ledger. STP also allows the payment reversal, reassignment, reconciliations and tax reporting tasks. The system allows the user to set up the future repetitive payments or batch payments together and hold them for future dates. Every payment automatically reduces the related reserve. The application can forward reserves to other financial-accounting software.

Fast accurate loss settlement

The settlement process involves two key elements: the accurate identification and rejection of unjustified claims and the satisfaction of legitimate claim quickly and comprehensively. In STP certain rules and regulations defined in the system will decide the validity of the claim which will analyze the claim applications and loss notification and inform to the claims handlers, claims supervisors. STP also can be integrated with the external fraud detection software. The insurer can easily identify and manage the coverage issue throughout the claims process without any shortage in the flow. At the time of payment the system will calculate the compensations by considering the compensations limit which is already defined by the insurer.

Subrogation and salvage in STP

STP allow the company people to evaluate the potential of subrogation earlier to the claims settlement by connecting with the subrogation specialists and it will enable the insurer to negotiate and manage recoveries in lump sums or payments over time.

Vendor management in STP

Managing vendors in insurance is very important which will make the company profitable. Straight through processing helps the insurer to track the performance of agents, brokers and vendors. Further it helps to monitor the activities of service providers and the quality of their services. This functionality helps to ensure the claimants' long-term satisfaction and ensure that the services actually reduce the losses incurred. System logs document each action and change involved in a claim. People can transfer the completed records to a data warehouse, from which insurer can perform the necessary analysis.

Controlled access and security

STP makes it easy to control access to claims information and it allows the user to configure authorization level to access the information. By this authorization the insurer can limit its employees to access the information and it can allow the respected person to access the system so that the security for data is assured. Even the company can allow the external user to access the system for their business like agents, brokers, surveyors and dealers etc.

Business partner integration

STP allows the insurer to integrate with its all business partner to access the data. STP handles partner-related data maintenance tasks, such as data changes and consolidation, duplicate recognition, and corrections. Further it helps to manage all partner relationships, including those with prospects, customers, brokers, agents, banks, service providers, employees, and reinsurers. STP handles partner-related data maintenance tasks, such as data changes and consolidation, duplicate recognition, and corrections. The system can store detailed information about each business partner, such as each participant's percentage of liability. It provides extensive search and reporting functionality and a single, enterprise-wide view of each customer, vendor, policyholder, and the other business partners involved in a claim.

Document management integration

In STP environment it is very easy to integrate the document management system existing in the legacy system of the company. It organizes indexes and associates incoming documents automatically with appropriate electronic claim file. It can also automatically or manually generate outgoing correspondence and forms, and automatically associate them to the electronic file. It also allows the user to store all common formats such as digital images, video, and recorded statements.

Future prospects and suggestions

This study was conducted with secondary data, and it explains the overall view of STP in the insurance industry. And it was focused on the managerial aspects of the company. But it doesn't cover the technical area which is required for straight through processing. The research can be done in a way to answer both technical and managerial requirements. It is suggested to do the step by step process analysis of the insurance company, and functionality of STP over there. The researchers do the comparative analysis of the company before and after STP implementation by considering their process flow and productivity. For that comparison the researcher can go for primary data collection by considering

the customer, employee and all other stake holders as respondents. Cost effectiveness of the process and return on investment of STP is also analyzed.

REFERENCES

www.sap.com/industries/insurance./streamlining

"Accelerated claims processing with greater accuracy for less money" an article published in www.emc.com/captiva

Enhanced STP Accelerates Profitability by Joanne Collins, FLMI, CLU, Lead Consultant, Product Consulting & Development, published in "the messenger" Transamerica reinsurance risk management news letter

Buy-Side Firms Must Embrace Parallel Processing to Reach T+1 INDUSTRY VOICE By A Contributed Article by Rick Borelli, Parnter, and Sam Auxier, Senior Manager, Deloitte & Touché

"Using Identity Authentication to Expand STP" published in www.identrust.com

Streamlining Claims Processing Towards a Better Customer Experience, Authors: Umesh Kumar Rai, Ram Kumar Kothandaraman published in www.wipro.com

The Impact of Electronic Claims Submission on Cash Flow in a Private Practice by Arthur W. Williams, III,

Understanding Straight-Through Processing - A technical overview By: Jim Liddle published in www.sys-con.com

An article named "Straight-through Processing: Using Workflow to Push Information through the Communications Labyrinth at Break-neck Speed" by Laurel B. Sanders, Director of Marketing, Optical Image Technology, Inc. published in www.docfiniy.com

www.insurance technology.com

"Thunderhead Straight-Through Processing for Trade Confirmations" and published in www.ibm.com

Straight Through Processing For Insurance Claims and New Policy Requests published in www.skytide.com

"STP technology: An overview and a conceptual framework" written by Wayne Huang, Yining Chen , Jarrad Hee published in www.sciencedirect.com



INITIAL PUBLIC OFFERINGS (IPOs) IN THE PRIMARY CAPITAL MARKET

Puja Garg*

ABSTRACT

Capital mobilization through Initial Public Offerings (IPOs) has seen a steep fall in India. The total amount raised through IPOs aggregated only Rs. 22,100 crores in the year 2008, the lowest in the last three years (2006-2008). The total funds raised through IPOs in 2008 were 54.55 percent lower than the amount raised in 2007, when a whopping Rs. 48,600 crores was garnered. Though there was a fall in the number and amount, the average size per IPO for 2008 increased from Rs. 480 crores in 2007 to Rs. 500 crores in 2008.

Key Words: Capital Market, SEBI, IPO Grading, oversubscription.

Introduction

The size of an IPO is likely to be affected by the purposes for which the funds are raised. If the purposes are expansion of capacity, technological up-gradation, setting of a new plant, financing and promoting a new project and a new business entity, the size of the IPO is likely to be large. If the purposes are repayment of term loans, foreclosure of lease, funding subsidiaries, warehousing facilities, logistics and the like, the size of the IPO is likely to be small.

The size of an IPO is likely to affect the price band for discovery of the price through book building. The book building process was introduced by SEBI in the year 1995. It involves asking for bids on the price and related quantity of securities to be purchased. The share prices are determined on the basis of real demand for the shares at various price levels, assessed on the basis of bids obtained with reference to price bands.

The allotment price is likely to be nearer the lower end of the price band if the issuer company is not fundamentally strong, well known and the purposes are maintenance and survival. The allotment price is likely to be nearer to the high end of the price band if purposes are growth through expansion, diversification and gainful differentiation.

A significant development in the IPOs' market in India took place in 2007 when SEBI introduced the grading of IPOs and made it mandatory from May 1. IPO grading was positioned as a service in the form of independent assessment of fundamentals by Credit Rating Agencies registered with SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999.

Grading of IPOs is an initiative to ensure the protection of

investors and to make the capital market more attractive and more logical. For the issuing companies, grading of IPOs is likely to help them in establishing credentials and raising funds at attractive prices by creating an informed positive image associated with different levels of grading. It is likely to help the companies in the process of enhancing status from a private company to a public company. A superior grading of an IPO is likely to increase the extent of its subscription.

This paper attempts to investigate some relationships among the following variables:

- (a) Size of IPOs
- (b) Purposes of IPOs
- (c) Allotment Price
- (d) Extent of Subscription
- (e) Grading of IPOs

Review of literature:

Most of the research done on IPOs to date have focused on the issues of under pricing and under performance. There is a lack of research on other significant issues related with the allotment of shares and the interrelationship among various aspects such as issue size, price band, extent of subscription and IPO grading.

Allen & Faulhaber, in their study on under pricing in the IPO market of United States, concluded that under pricing is done deliberately by companies to make a favourable market for subsequent issues.

Chemmanur & Fulgieri (1999) stated that companies go public as that allows greater dispersion of ownership, with its

*Sr. Lecturer, RKGIT (MBA), Ghaziabad

advantages and disadvantages.

Pagano, Panetta & Zingales (1998) studied Italian firms and found that companies with high market to book ratios are more likely to go public.

Deb & Marisetty studied the efficacy of IPO grading. They found that IPO grading decreases its under pricing & influences the demand of the investors. IPO grading successfully captures firm size, business group affiliation & firm's quality of corporate governance. They concluded that in emerging markets regulators role to signal the quality of an IPO contributes towards the market welfare.

Khurshed, Pande & Singh documented that during the book building period, the non institutional investors follow the lead of the institutional buyers. They also found that IPO offer price is largely decided by level of oversubscription.

Objectives

Following objectives were set for investigation:

- To find out the relationship between size of IPOs and purposes of IPOs.
- To study the relationship between size of issue and extent of subscription
- To find out the relationship between issue size and allotment price with reference to price band.
- To study the relationship between grade assigned to IPO and extent of subscription.

Methodology

The study is a survey of IPOs floated during the recent two year period, viz, 2007-2008. This period marks the downfall of the secondary capital market from a very steep rise. This downfall has adversely affected the fund raising through IPOs and the utilization of funds raised (delay in utilization). This period also observed the landmark initiative of SEBI in the form of mandatory grading of IPOs.

In all 113 IPOs floated during the period 2007 and 2008 through the book Building system have been covered. The classification of size of IPOs, extent of subscription and breadth of price band was made relative to data internal to IPOs under the study by using Quartiles.

Percentage Method, Karl Pearson's Coefficient of correlation and Chi-Square test were used to analyze data.

Findings And Analysis

1. Purposes of IPOs and Issue Size:

The various purposes for which companies raised funds through IPOs were listed. Generally companies made Initial

Public Offerings for multiple purposes. Various purposes of IPOs have been classified into following 6 broad categories:

1. Expansion and Growth

- Capacity expansion
- Setting of new plant
- Purchase of Capital equipment
- Finance and promote new projects
- Buy own Machinery
- Development of Research and development facilities
- Technological up gradation.
- Augmentation of capital Base.
- To bear development costs of existing projects-

2. Promotion of new Business Entity

- Establishing New company
- Joint ventures(For BOT Projects)
- Diversification
- Acquisitions

3. Working Capital requirements.

4. General Corporate purpose

- Logistics
- Warehousing facilities
- Funding subsidiaries
- Setting up corporate offices
- Benefits of listing
- Brand building

5. Payment of Liabilities

- Repayment of term loans
- Foreclosure of lease

6. Entry into Retail Business

- Fund retail financing service
- Establish retail outlets.

The size of the IPOs was classified into 3 categories, viz, "Large-size", "Medium- size" and "Small- size". For this classification, Quartiles of the sizes of IPOs were calculated. The values of Q1 and Q3 were Rs. 59.5 crores and Rs. 272.5 crore respectively. IPOs for amount below Rs. 60 crore and Rs. 273 crore and above were classified as "Small-size" and "Large size" issues respectively. IPOs for amount ranging between Rs. 60 crore to below Rs. 273 crore were classified as "Medium size" issues.

Thus:

Small - size issues- below Rs. 60 crores

Medium - size issues- Rs. 60 crores to below Rs. 273 crores

Large - size issues- Rs. 273 crores and above

Table1: Frequency distribution of IPOs according to purpose and size:

Purpose of Issue

| Issue size | Expansion and growth | Promotion of new business entity | Working capital requirements | General corporate purposes | Payment of liabilities | Entry into retail business | Total number of issues |
|------------------------------------|----------------------|----------------------------------|------------------------------|----------------------------|------------------------|----------------------------|------------------------|
| Large Size | 23 | 2 | 3 | 10 | 9 | 1 | 29 |
| Medium Size | 40 | 9 | 11 | 17 | 7 | 3 | 56 |
| Small Size | 28 | 2 | 10 | 8 | 5 | 1 | 28 |
| Total | 91 | 13 | 24 | 37 | 19 | 5 | |
| As percentage of total no. of IPOs | 80.5 | 11.5 | 21.2 | 32.7 | 16.8 | 4.4 | 100% |

"Expansion and growth" was the purpose of 80% of the IPOs (91 out of 113 IPOs).

The second and third purposes, in order of mention, were "General corporate purpose" and "Working capital requirements".

Similar order of mention for these three purposes was found in large size and medium size IPOs.

Relationship between issue size and extent of subscription

The extent of subscription ranged between "full subscriptions" to 159 times subscription. The extent of subscription was grouped into 4 class intervals, taking the magnitude of 40 times (160 times/4) for frequency distribution of IPOs.

The Karl Pearson Coefficient of Correlation was computed to measure the degree of correlation between the issue size and extent of subscription.

Table2: Frequency distribution of IPOs according to extent of subscription and issue size.

| Issue size | below 40 times | 40-80 times | 80-120 times | 120-160 times | Total |
|-------------|----------------|-------------|--------------|---------------|-------|
| Large size | 15 | 10 | 3 | 1 | 29 |
| Medium size | 42 | 10 | 3 | 1 | 56 |

| | | | | | |
|------------|----|----|---|---|-----|
| Small size | 25 | 2 | 0 | 1 | 28 |
| Total | 82 | 22 | 6 | 3 | 113 |

Karl Pearson Correlation Coefficient (r) = 0.0824

It can be inferred that issue size and extent of subscription were positively correlated but the correlation was insignificant.

Size of issue and allotment price

It is the assumption that allotment price will be nearer the lower end of the price band when the size of the issue is large and nearer the upper end of the price band when the size of the issue is small.

To verify this assumption, allotment price was compared with the mid point of the price band of each IPO. Two classes were made for the allotment prices as compared to the mid points of the price band as given below:

(a) Allotment price less than the mid point of the price band

(b) Allotment price more than the mid point of the price band.

For two IPOs, the allotment price was equal to the midpoint of the price band. One IPO was put in class (a) and the other was put in class (b) of the price band.

Table3: Frequency distribution of IPOs according to the classes of allotment price and the size of IPOs.

| Issue size | Price less than the mid point of the price band. | Allotment towards the upper end of price band | Total |
|-------------|--|---|-------|
| Large size | 6 | 23 | 29 |
| Medium size | 9 | 47 | 56 |
| Small size | 5 | 23 | 28 |
| Total | 20 | 93 | 113 |

H_0 : There is no significant relationship between issue size and allotment price

H_1 : There is significant relationship between issue size and allotment price.

Chi-square test was applied to test H_0 .

| Observed Frequency(O) | Expected Frequency(E) | (O-E) | (O-E) ² | (O-E) ² / E |
|-----------------------|-----------------------|--------|--------------------|------------------------|
| 6 | 5.132 | 0.868 | 0.753 | 0.14681 |
| 23 | 23.86 | -0.86 | 0.740 | 0.03100 |
| 9 | 9.911 | -0.911 | 0.830 | 0.08374 |
| 47 | 46.08 | 0.92 | 0.846 | 0.01837 |
| 5 | 4.955 | 0.045 | 0.002 | 0.00041 |
| 23 | 23.044 | -0.044 | 0.002 | 0.00008 |

$$X^2_{cal} = 0.277$$

$$\text{Degree of freedom} = 2$$

$$\text{At level of significance} = 0.1$$

$$X^2_{critical} = 4.61$$

$$X^2_{cal} < X^2_{critical}$$

H_0 was accepted. There was no statistically significant evidence to infer that there was a relationship between issue size and allotment price.

Grading of IPOs and the extent of subscription

Grade assigned to an IPO gives an idea about its quality.

The following claims in favour of grading are made:

- Grading provides an independent unbiased assessment of the fundamentals of the company
- The grade enables easy comparison between companies, irrespective of the size or the industry they operate in
- Grading is a collaborative initiative to widen and deepen market participation
- Grading increases participation from new and foreign investors which necessitates greater awareness about the company and its fundamentals
- Grading is designed to help issuers benchmark themselves and project their underlying strengths better.

IPO fundamentals are graded on a scale of five (grade 5 to grade 1), as given below:

IPO grade 5: Strong Fundamentals

IPO grade 4: Above Average Fundamentals

IPO grade 3: Average Fundamentals

IPO grade 2: Below Average Fundamentals

IPO grade 1: Poor Fundamentals

The credit rating agency has to affix its name before the grading symbol.

The parameters used to assess the fundamentals are:

1. Management quality
2. Business prospects: industry and company
3. Financial performance
4. Corporate governance
5. Project related factors
6. Other factors such as compliance track record, litigation history and capital history.

Presently the credit rating agencies authorized to assign grades are CRISIL, CARE, ICRA and Fitch Ratings India Private Ltd.

It is interesting to examine the influence of IPO grading on the extent of a subscription.

Does the category of grade influence the extent of a subscription?

Only 55 IPOs were found graded during the period May 1, 2007 to Dec, 2008. This number included IPOs through book building and fixed price IPOs. No IPO was found with Grade 5 (strong fundamentals).

Table 4: Frequency distribution of IPOs according to grade and extent of subscription

| Relationship between grade assigned to the issue and extent of subscription | | | | | Total |
|---|------------------------|-------------|--------------|---------------|-------|
| Grade | Extent of subscription | | | | |
| | Below 40 times | 40-80 times | 80-120 times | 120-160 times | |
| 4 | 4 | 2 | 2 | | 8 |
| 3 | 19 | | 2 | 2 | 23 |
| 2 | 14 | | | | 14 |
| 1 | 10 | | | | 10 |
| Total | 47 | 2 | 4 | 2 | 55 |

On the basis of frequency distribution of IPOs according to grade and extent of subscription given in Table 4, the following observations can be made:

1. A large number of IPOs (23 out of 55) could secure Grade 3 i.e. "Average Fundamentals".
2. A large number of IPOs (24 out of 55) could secure Grade 1 and Grade 2 signifying "Below Average" and "Poor Fundamentals".
3. Majority of IPOs (47 out of 55) were subscribed / oversubscribed upto 40 times.
4. Even with grade 3 (Average Fundamentals), 4 out of 23 IPOs were oversubscribed 80 times or more.

Conclusion

The above mentioned observations lead to the conclusion that the Indian primary market is seriously inefficient putting a big question mark about its sustainable good health. The basic objective of the majority of IPOs is expansion and growth of the companies. It was also found that a good grade does not necessarily increase the attractiveness of the issue. There is a need to make the investors more aware and the



process of issue more transparent. Besides institutional arrangements and efforts, the companies should take steps to improve their capacity for raising fresh capital in future.

References

Allen F and Faulhaber GR (1989), "Signalling by Underpricing in the IPO Market", Journal of Financial Economics, Vol.23.

Beatly Randolph P (1989), "Auditor Reputation and the Pricing of Initial Public Offerings," Accounting Review, Vol 64.

Benveniste Lawrence M and Spindt Paul A(1989), " How investment bankers determine the offer price and allocation of new issues," Journal of Financial Economics, Vol.24

Dhatt Manjeet S. , Mcconaughty Daniel L. and Kim Yong H(1995), "Agency costs, market discipline and market timings: Evidence from Post- IPO operating performance ," Entrepreneurship: Theoryand Practice, Vol.2

Internet Sites referred to:

<http://www.sebi.gov.in>

<http://www.crisil.com>

<http://www.chittorgarh.com>

<http://www.icraonline.com>

<http://www.financialexpress.com>

BUSINESS ETHICS – A COMPETITIVE ADVANTAGE

V. Mallikarjuna*

D. Pradeep Kumar**

G. Krishna Mohan***

ABSTRACT

There were many episodes of high profile corporate scandals involving huge losses for its stakeholders in the recent past than ever. Globally, the misconduct and non-compliance of corporates to ethical standards is on the rise. This may become more pronounced in the trying times ahead with the impinging global economic recession. The imprudent, reckless lending leading to overheating of asset prices coupled with complex derivative products least understood by the investors and markets have created financial tsunami which has drowned many a big banks and investment bankers and left scores of other companies across the world saddled with huge losses. The great American dream of free enterprise is at the cross roads with many of its corporate giants queuing-up for federal assistance to avert bankruptcy. The situation is no different in the other parts of the world also as ethical breaches are discovered every now and then that knock off the stakeholder confidence. This paper argues that ethics do help the organization in building an inimitable competitive advantage in the form of trust among its stakeholders that translates into the bottom line. Corporate need to craft ethics-centered culture that percolates hierarchy of the organization and into the supply chain and creates a win-win situation for business and the society. The paper highlights how to integrate ethics and compliance into an organization's culture.

Keywords: Business ethics, Compliance, Competitive advantage, corporate scandals

Introduction

"It's tough to pick up a newspaper or magazine without seeing the mention of another corporate scandal or executive indictment. It is unfortunate." remarks Jim McNerney, CEO of world's largest aircraft manufacturer, The Boeing (McNerney, 2006). There were more episodes of high profile corporate scandals involving huge losses for its stakeholders in the recent past than ever. Globally, the misconduct and non-compliance of corporate to ethical standards is on the rise. This may become more pronounced in the trying times ahead with the impinging global economic recession. The imprudent, reckless lending leading to the overheating of asset prices coupled with complex derivative products least understood by the investors and markets has created a financial tsunami which has drowned many a big bank and investment banker and left scores of other financial institutions across the world saddled with huge losses. The great American dream of free enterprise is at the cross roads with many of its corporate giants queuing up for federal assistance to avert bankruptcy.

Corporate mischief – tip of an iceberg

The \$40 billion Enron debacle six years ago was just a curtain raiser for corruption scandals. Tyco International, Adelphia, Peregrine Systems and WorldCom followed Enron, costing investors billions when their share prices plummeted and shook public confidence in the securities markets. The

drama continued ... JP Morgan Chase & Co., Bear Stearns melted down due to non-compliance of internal controls. Recently, Lehman Brothers' bankruptcy due to excessive exposure to high risk investments and rescue of housing finance giants Fannie Mae and Freddie Mac by a government takeover are a few big ticket corporate mis-governance cases across the world. More recently, the Samsung Group headquarters at Seoul was raided in a probe into allegations that the massive conglomerate set up a slush fund to bribe influential figures (International Herald Tribune, 2008a). Italian food and dairy group, Parmalat, is facing prospects of bankruptcy, with revelations of some four billion euro (Rs 22,400 crore) "missing and misappropriated" from the company's accounts. The company's 39,000 employees are facing prospects of redundancy (The Guardian, 2005). Huge losses suffered by Societe Generale Bank (BBC, 2008), France, and MF Global Ltd., New York (International Herald Tribune, 2008b) due to rogue traders have left investors in dismay. Satyam Computers, the Indian Enron, has sent shockwaves through the Indian corporate world, triggering a serious discussion on the issue of corporate governance and business ethics. The avalanche of corporate scandals is more in the last five years than during the entire 20th century. Inferior quality, violation of product and process safety standards, patent infringement, unfair trade practices, tax evasion, embezzling corporate

*Associate Professor, Kandula School of Management, KSRM College of Engineering, Kadapa, Andhra Pradesh, India

**Professor, Madanapalle Institute of Technology & Science, Angallu, Madanapalle Chittoor, Andhra Pradesh, India

***Professor, Kandula School of Management, KSRM College of Engineering, Kadapa, Andhra Pradesh, India



funds, insider trading, disinformation, financial losses disguised as profits, predatory lending, lobbying, bribing etc. are the different forms of corporate ethical violations.

The seventh biennial fraud survey, conducted by audit and consulting firm KPMG India (The Wall Street Journal, 2008), covering 1000 leading Indian firms from the public and private sectors, reveals that 42% of companies in India have experienced fraud committed by top management officials such as board members, directors and even managing directors. Almost 84% of the companies strongly believed that businesses in India pay bribes to facilitate work. It is not just the companies that defraud their stakeholders but they also get defrauded by their employees. A few employees who either lack integrity or want harm the company, will always be there. The KPMG report found that almost 60% of the Indian companies have encountered fraud by their employees. Indian companies are highly vulnerable to fraud in the absence of an effective internal control mechanism that can identify and deal with such crimes. The report concludes that a majority of Indian firms have inadequate anti-fraud measures.

Business ethics – the endangered

Competitive pressures to perform, lack of internal controls, absence of or lack of incentive for “whistle blowing”, non-availability of mechanism for resolving ethical dilemmas of employees and the “manage some how” attitude of the businesses are to be blamed for the ever-increasing corporate scandals. There is a common agreement in society that it is the results that matter not the ways and means of achieving them. The glory of success hushes up the ethical breaches and everybody likes to bask in the glory rather than stick to basics. There is a silent consensus among the public to ignore corruption and financial frauds as not-a-serious-issue to ponder upon. The lessons in the B Schools and corporate training sessions instigate the “win-at-any-cost” attitude among the young business leaders and the marketing laws like “convince, confuse or corrupt” are undermining the importance of business ethics and compliance. The world has recognized the need for making businesses ethical. Subjects on business ethics have been included in the curriculum of almost all the business schools. Governments have created more stringent rules and regulations and compliance is insisted upon. Adopting technology to improve transparency, monitoring and surveillance, more severe punishments for ethical breaches and non-compliance are put in place. The topic still is considered as academic and corporates are simply paying lip service. Today, virtually every one of the 200 largest companies in the U.S. has an ethics and compliance programme (Jim McNerney, 2006). But their effectiveness is

in doubt. There is a misconception among the corporates that ethics is merely doing the things in the right way and they feel they need not consider ethics seriously as long as they are not indicted for any illegal activities. It is true that doing things lawfully is a part of business ethics but building an organizational culture that has business ethics at its core is more important as it ensures the well-being of all the stakeholders at all the times and at all junctures. It can prove to be an inimitable, everlasting competitive advantage for the companies.

Companies do not operate in a vacuum but rather are plunged into the universe of relationships with multiple stakeholders. With globalization, the scenario became even more complex, given the emergence of global groups of stakeholders. Global expansion has brought about greater involvement with different cultures and socio-economic systems. With these developments, ethical considerations become more important. Further, globalization has also increased the levels of competition among firms, which look for new ways to create a competitive edge (Rania Azmi, 2006). There is also an argument that ethics are natural market consequences of business - customers, clients, employees all want their companies to be ethical, so it is the in company's best interests to be so. What the corporates across the world need to understand is conducting business ethically is not going to cost them, but is in the best interests of the company itself.

Ethics pay

There is a misconception that investment in ethics is redundant but it is not. The payback is actually tangible and long-lasting. There are numerous advantages for a company to seriously consider business ethics as a competitive advantage.

- Managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and balance of the organization's culture, improves trust in relationships between individuals and groups, supports a greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise's values and messages (Donaldson and Davis, 1990), .
- It builds a brand that attracts the best talent and creates trust among the customers and other stakeholders. They consider it a matter of pride to be associated with the organization and have a greater sense of belonging.
- A “clean” image attracts both customers and investors.
- It has been tested and found that there is a direct correlation between ethical conduct and job satisfaction (Carter McNamara, 2008).

- Attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in crises and confusion, they retain a strong moral compass.
- Employees feel motivated and their self-esteem is high when they work for a team that is committed to ethics and compliance. This makes them perform and contribute to the organization willingly.
- When there are ethical failures, they diminish the reputation of a company and its products, locally and globally and in certain markets companies' negative ethical conduct may cost them their "license to operate".

Business ethics can be one of the valuable intangible assets for competing in today's business world. There are many businesses that succeeded. For example, Infosys Technologies, India in just over two decades has built a brand known for ethical standards. Mr. N.R. Narayana Murthy, the ex-chief mentor of Infosys Technologies, says that he will most certainly be remembered for showing skeptical Indians that serious wealth could be created legitimately and ethically and in a single generation (India Times, 2005).

The silver lining

Ethisphere Institute (Ethisphere) announces the World's Most Ethical Companies rankings. It provides companies a chance to be recognized for their efforts in ethics and compliance. The winners of the World's Most Ethical Companies are those that go above and beyond legal minimum, bring about innovative new ideas to expand the public well being, force other companies to follow their leadership or fall behind. These are the companies who use ethical leadership as a profit driver. Ninety three companies from different industrial clusters have been declared the world's most ethical companies in 2007 and 2008. Global giants like PepsiCo, internet search giant Google, banking majors HSBC and Stanchart, auto giant BMW, Honda Motor Company and the human resources firm, Manpower, General Electric, Oracle Corp, Nike, UPS etc. figured in the list. The institute also offers a programme to certify the company's ethical practices through its "Ethics Inside Certificate". It takes into consideration 15 different criteria like positive view by regulators, improved relations with partners/vendors, comfort to investors, industry leadership vs peers, attracts customers and employees of choice. Many companies have started their efforts towards building ethical organizations through transforming their cultures. Nike while enduring intense criticism for its labour practices during 1990 when its employees started to wonder what kind of company they were working for, responded by recruiting Maria Eitel as the Vice President and senior advisor for corporate responsibility with a philosophy "to decide who we

were when it came to corporate social responsibility, and to really figure it out," (Dean Williams, Williams Savvy, 2008), Even Pratt, CEO of Toronto Hydro formulated the philosophy "We realized for us to truly be a leader, we needed the total company to be involved. We needed each employee to work consciously to be environmentally responsible and see himself as an environmental ambassador in his community," (Dean Williams, Williams Savvy, 2008).

"When a company wants to reinforce consistent, ethical patterns of behaviour, effective communication among members of that organization can make the difference between success and failure," says Coates CEO of Hill and Knowlton, Canada. "For a company to behave ethically, it must live and breathe its code of conduct, train its personnel and communicate its code through its vision statements. It cannot just print a manual that sits on a corporate shelf." (Dean Williams, Williams Savvy, 2008).

A large number of companies have created roles of Chief Ethics Officer to ensure that they are embedding ethics into the corporate culture and developing and implementing improvements in internal control procedures to mitigate identified corporate ethics programme risks. In addition, US companies are required to comply with Foreign Corrupt Practices Act (FCPA) and have to demonstrate that they have internal controls and processes for such compliances. (Metricstream)

Levi Strauss & Co believe "Our ethical principles are the values that set the ground rules for all that we do as employees of Levi Strauss & Co. As we seek to achieve responsible commercial success, we will be challenged to balance these principles against each other, always mindful of our promise to shareholders that we will achieve responsible commercial success." The Ethical Principles are: Honesty, Promise-keeping, Fairness, Respect for others, Compassion and Integrity. (www.inc.com) Northern Telecom (Nortel) claims "we recognize the importance of credibility, integrity and trustworthiness for our success as a business. We are committed to upholding high ethical standards in all our operations, everywhere in the world. We believe in the principles of honesty, fairness, and respect for individual and community freedom." (www.inc.com). Living up to both the letter and the spirit of such commitments is not always an easy task. For large and diverse corporations working globally, there is a need to recognize that while there is some level of agreement the world over on what constitutes honest and ethical business practice, there can also be valid differences of opinion.

The "How to" Guide

All said, there are some companies that are still skeptical



about business ethics, believing they can't manage values in an organization. Unfortunately, the suggested solutions often mentioned - more rules and regulations, more oversight entities (both internal and external) and clearer reporting of financial transactions, will merely treat the symptoms of this current managerial crises but will do little to remedy the underlying conditions. The true way to fix this problem is to understand how to create the right corporate culture through the corporate image management process (Steven Howard). Actually, ethics is always "managed" -- but, too often, indirectly. For example, the behavior of the organization's founder or current leader is a strong moral influence on the behavior of employees in the workplace. Laws, regulations and rules directly influence behavior to be more ethical, usually in a manner that improves the general good and/or minimizes harm to the community. Firstly, open up the culture. Create an environment that encourages people to speak about their concerns and feel safe in doing so (Jim McNerney, 2006). Employees should feel accountable and blow the whistle whenever something wrong is smelt without any apprehensions. Get rid of abusive leaders and anyone who leads through fear and intimidation. Encourage leaders to include and inspire people. Top management needs to give the maximum support in formulating effective ethics and compliance programmes. Organizations should work as a team and individual personalities are not important. Instead of hierarchical structures, emphasis on building up horizontal structures provides a level playing field to the employees. Actions speak louder than words and leaders must speak in a way that inspires integrity and a vision for the company. When the team leaders are role models, employees also ensure that they do act accordingly. Ethical benchmarks in a company have to be rigid and uniform across rank and order in the organization. The image of a non compromising attitude on ethical issues is essential to build confidence among the employees and other stakeholders. Ethics is a matter of values and associated behavior. The best of ethical values and intentions are relatively meaningless unless they generate fair and just behavior in the workplace. Ethics in the workplace can be managed through the use of codes of ethics, codes of conduct, roles of ethicists and ethics committees, policies and procedures, procedures to resolve ethical dilemmas, ethics training, etc. Ethics training should translate the codes, procedures and ethical values to appropriate behavior. Design codes and procedures with the help of cross-functional teams to ensure acceptance and compliance. Organizations should integrate their values, translate them into an ethic and align that ethic with their strategies. Financial excellence results when a corporation's values and its ethics support its strategy. Make it deep rooted

in the organization that success means much more than the profit margin, it is the image of the company, the goodwill it generates in the market. Organizations need to evolve a corporate conscience, among all its employees. It is a felt indulgence in activities that benefit the corporate in the long run. This conscientiousness among the employees for the ultimate benefit of the corporate is in itself a prescription for the transformation of employees towards better business ethics. Any transformation requires transformational leaders, who strongly believe in, having the will, lead by example and steadfast till its attainment in the corporate culture. Business ethics in organizations requires values-based leadership from top management, purposeful actions that include planning and implementation of standards of appropriate conduct, as well as openness and continuous effort to improve the organization's ethical performance. Although personal values are important in ethical decision making, they are just one of the components that guide the decisions, actions, and policies of organizations. The burden of ethical behavior relates to the organization's values and traditions, not just to the individuals who make the decisions and carry them out. A firm's ability to plan and implement ethical business standards depends in part on structuring resources and activities to achieve ethical objectives in an effective and efficient manner. Further the corporate ethics should percolate from employees to customers, middlemen, suppliers and all other stakeholders of the corporate.

Epilogue

The companies that do not tradeoff between values and performance, and conduct business ethically and compliantly will succeed and for them business ethics is a real source of competitive advantage. The advantage that business ethics and compliance are woven into strategy and organizational culture is ethics-centered should motivate the businesses across the globe to pursue business ethics seriously and create an atmosphere of trust and security to all the stakeholders.

REFERENCES

BBC. 2008. 24th January 2008, news.bbc.co.uk/2/hi/business/7206270.stm accessed 10-12-2008

Business Ethics Compliance (2008), <http://www.metricstream.com/solutions/ethics.htm> accessed 10-12-2008.

Business Ethics: Sample Policies, <http://www.inc.com/articles/2000/10/14404.html> accessed 10-12-2008.

Carter McNamara (2008), Complete Guide to Ethics Management: An Ethics Toolkit for Managers, www.managementhelp.org/ethics/ethxgde.htm accessed 10-12-2008.

Dean Williams, and Williams Savvy (2008), It's not just a Code, it's a Culture, <http://www.savvypr.com/iabcethicscolumn2.html> accessed 10-12-2008.

Donaldson and Davis (1990), "Business Ethics? Yes, But What Can it Do for the Bottom Line?" *Management Decision*, V28, N6, 1990

India Times, E-Sop opera: N R Narayana Murthy(2005), 4 Apr, 2005, <http://infotech.indiatimes.com/articleshow/1068304.cms> accessed 10-12-2008.

International Herald Tribune. 2008. 15th January 2008, <http://www.ihf.com/articles/2008/01/15/business/15sam.php> accessed 10-12-2008

International Herald Tribune. 2008. 28th February 2008, www.ihf.com/articles/ap/2008/02/28/business/NA-FIN-US-MF-Global-Loss.php accessed 10th December 2008.

Jim McNerney. 2006. "Turning Ethics and Compliance Into A Competitive Advantage", presented at "The 2006 Ethics and

Compliance Conference", La Jolla, CA, April 27, 2006, www.boeing.com/news/speeches/2006/mcnerney_060427.html. accessed 10-12-2008

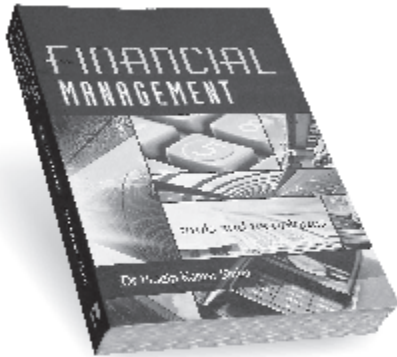
Rania A Azmi (2006), Business Ethics as Competitive Advantage for Companies in the Globalization Era, July 2006, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1010073 accessed 10-12-2008.

Steven Howard, Corporate Ethics, Corporate Culture and Corporate Image, retrieved on 10th December 2008, from www.allaboutbranding.com/index.lasso?article=276

The Guardian. 2005. 28 September 2005, <http://www.guardian.co.uk/business/2005/sep/28/corporatefraud.parmalat> accessed 10-12-2008

The Wall Street Journal (2008), 19th March 2008, www.livemint.com/2008/03/19003152/Whitecollar-crimes-rising-in.html accessed 10-12-2008

Book Review



FINANCIAL MANAGEMENT Tools and techniques

by Pradip Kumar Sinha

Publisher - Excel Books, New Delhi

Edition 1st 2009, Pages - 855, **Price** - 395

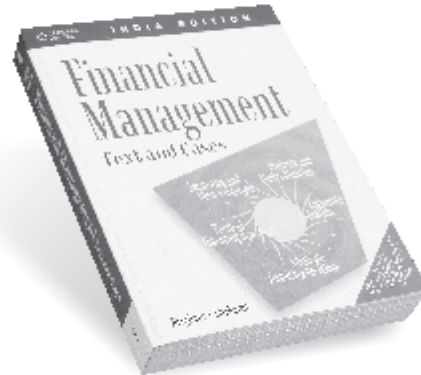
ISBN 978-81-7446-736-9

Reviewer: Prof Arvind Singh

Financial Management as an academic discipline has undergone tremendous changes with regard to its scope and coverage. In earlier years, it was treated synonymously with the raising of funds. In the later years, its broader scope, included in addition to the procurement of funds, efficient use of resources.

There are 26 chapters which categorized into 6 parts in the book. They covers the introduction of financial management, Financial analysis, profit planning and control, Long term investment decisions, Long-term financing and dividend decisions, Working capital management and the last chapter provide a detail information about miscellaneous topics of financial management. The book deals, quite comprehensively with the latest tools and techniques used and current trends in financial management. Various new issues and challenges, in this area, have emerged which have been duly covered in the book.

This book has been written for MBA students of Indian Universities and Management institutions. The author has endeavored to provide a firm grounding in the principles, techniques and practice of financial management. It would be quite useful to those who are appearing in various professional examinations. It would also prove to be useful for the researchers, academicians and practicing managers, who want reliable and valid information to form future management policies.



FINANCIAL MANAGEMENT Text and Cases

by Eugene F. Brigham & Michael C. Ehrhardt

Publisher- Cengage Learning India Pvt. Ltd., New Delhi

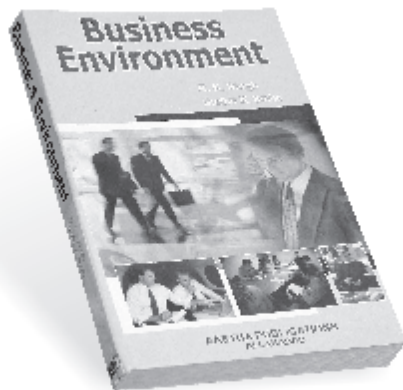
Edition 4th 2009, Pages - 802, **Price** - 395

ISBN 978-81-315-0491-8

Reviewer : Dr Vinay K Srivastava

Financial Management is that part of the management activity which is concerned with the planning and controlling of firm's financial resources. There are 26 chapters which categorized into 7 parts in the book. The book is designed primarily for use in the introductory MBA finance courses & also as a reference text in follow-on case courses and after graduation. The book combines theory & practical applications. The book deals, quite comprehensively with the latest tools and techniques used and current trends in financial management.

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



BUSINESS ENVIRONMENT

by R K Singh & Sudhir K Sinha

Publisher - Aastha Publication, Allahabad

Edition 1st 2010, Pages - 390, **Price** - 250

Reviewer: Puja Garg

Business environment includes everything that can lead to opportunities for or threats to the firm. Although firm is microeconomic it has to survive in the macroeconomic environment. Hence as future managers, it is the responsibility of management students to have an in depth understanding of the various components of environment. This book provides a comprehensive knowledge related with the various dimensions of business environment whether related to economic, political, technological, national or international. This book entails within it not only the theoretical concepts but also the latest trends and updates, be it the various policies of the government or the international economic and market trends. The various international organizations such as WTO have also been covered. It also provides an insight into the regulatory aspect of trade and commerce in India.

FUNDAMENTALS OF RISK AND INSURANCE

by Emmett J. Vaughan and Therese Vaughan

Publisher- John Wiley

Edition-2010, Pages 686

ISBN 978-81-265-1306-2

Reviewer : Shashank Dubish

Students, professors and practitioners who have an interest in 'Fundamentals in risk and insurance' now have a new resource to turn to. As the title indicates, the ninth edition of Fundamentals of Risk and Insurance is about risk and insurance. For the first time when book was published, the insurance field was so simple as compared to today's complexity. The world has changed dramatically and the field of insurance has changed with it and the environment in which it operates continue to change, the author has provided this book with the changes in the legal environment, revisions of the policy forms and the introduction of new types of insurance and the other new developments makes the insurance an exciting field of study. The book objective is to summarize the pervasive nature of pure risk on the individual and on society, and to illustrate the way in which insurance can be used to deal with the problems posed by such risk. Thus, the rising insurance premiums and the occasional inability to obtain coverage at any cost have changed the traditional role of insurance. Obtaining coverage for every insurable risk is being replaced by the risk management concept. Risk management, which includes insurance coverage, is intended to minimize the costs associated with assuming certain types of risk and providing prudent protection. It deals with pure risks that are characterized by chance occurrence and that may only result in a financial loss. Risk management does not address speculative risks that afford the opportunity for either financial gain or loss

There are 34 chapters which are categorized into 3 parts in the book- One part deals with Risk, Insurance and Risk Management covering Introduction of risk management and Insurance, Application of risk, Regulations & legal frame work of Insurance. Second Part Deals with life and health Insurance covering Introduction of Life Insurance Social Insurance programs, Actuarial, provisions of life Insurance Contract and various type of policies. Third part deals with Property & Liability Insurance covering Introduction of the commercial property insurance, Home owners' policy, personal auto policy. General provisions, Surety Bonds and credit insurance. The book has been written for the Students, professors and practitioners who have their interests in the field of Insurance. The author has tried to give insight about the risk and insurance. The book may serve as the basis for more advanced text for those students who intend to specialize in the field of insurance, and at the same time it constitutes a compendium of what an informed citizen and consumer should know about the subject.



“The color of leadership is bright orange. The color of leadership research is slate gray.”

— Jerry Hunt

.....
“Never doubt that a group of thoughtful, committed citizens can change the world. In deed, it is the only thing that ever has.”

— Margaret Mead

.....
“You have brains in your head. You have feet in your shoes. You can steer yourself in any direction you choose.”

— Dr. Seuss

.....
“The chief value of money lies in the fact that one lives in a world in which it is overestimated.”

— H.L. Mencken

.....
“Financial statements are like a fine perfume- to be sniffed but not swallowed.”

— Abraham Briloff

.....
“Creditors have better memories than debtors and creditors are a superstitious sect – great observers of set days and times.”

— Benjamin Franklin

.....
“Remember the difference between a boss and a leader.” a boss says, “Go!” – a leader says, “let’s go!””

— E.M. Kelly

.....
“Progress always involves risks. You can’t steal second base and keep your foot on first.”

— Frederick B. Wilcox

.....
“Teach me and I will forget, Show me and I may remember, involve me and I will understand”

— Chinese Proverb



Journal Subscription Form

I wish to subscribe to the "SAARANSH - RKG JOURNAL OF MANAGEMENT" for the period of:

One Year

Two years

Three years

I am enclosing Demand Draft/ Cheque number

dated..... drawn in favour of 'Raj Kumar Goel Institute of Technology'

for Rs. payable at Ghaziabad.

1. Name

2. Name of the Organization

3. Mailing Address

4. City State PIN Code

5. Phone Mobile

6. E-mail

7. Current Subscription No. (For renewal orders only)

8. Subscription Rate

| | One Year | Two Year | Three Years |
|------------------------|----------|-----------|-------------|
| Individual | Rs. 500 | Rs. 950 | Rs. 1200 |
| Institutional | Rs. 1000 | Rs. 1800 | Rs. 2500 |
| Individual (Overseas) | US \$ 50 | US \$ 80 | US \$ 120 |
| Institution (Overseas) | US \$ 75 | US \$ 100 | US \$ 125 |

Rs. 50/- should be added of outstation cheques in India.

Mail to :
The Editor
SAARANSH - RKG Journal of Management
Raj Kumar Goel Institute of Technology (MBA)
5 km Stone, Delhi-Meerut Road, Ghaziabad (U.P.) 201 003, INDIA
Tel. : 0120-2788273, 2788409, Fax: 0120-2788350/447
E-mail: saaransh@rkgit.edu.in, Website : <http://www.rkgit.edu.in>



Feedback Form

Please take a moment to evaluate the articles you have read in this issue of "**SAARANSH : RKG JOURNAL OF MANAGEMENT**" Volume 1, Number 2, January 2010. Your valuable comments will help us shape the future issues better. Thank You

| | Highly Appreciable | Somewhat Appreciable | Can't Say | Not Appreciable | Did Not Read |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| THE GROWING ROLE OF HUMAN RESOURCE IN MANAGEMENT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| THE RELATION BETWEEN THE NIPONIC RESEARCH AND DEVELOPMENT MANAGEMENT SYSTEM AND PRODUCTIVITY IN COMPANIES IN THE IBERIAN PENINSULA | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| EFFECTIVE ADVERTISING MEDIA - A CASE STUDY OF CELL PHONE USERS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| MANAGEMENT OF INVENTORY IN INDIAN COMMERCIAL VEHICLES INDUSTRY | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| IMPACT OF BUDGET ON STOCK PRICES: A STUDY OF NSE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| THE ROLE OF PSYCHOLOGICAL CONTRACT IN RETENTION MANAGEMENT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RISING DEBT VERSUS RISING INCOME: AN EMPIRICAL STUDY OF INDIAN COMPANIES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| FACTORS INFLUENCING MOTIVATION TO CHOOSE INSURANCE AGENCY AS CAREER | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RETAIL REVOLUTION – BOON OR BANE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DETERMINANTS OF FAMILY BUYING PATTERN A STUDY WITH REFERENCE TO BUYERS IN THIRUVANANTHAPURAM DISTRICT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RETENTION OF TALENTS IN THE INDIAN HOSPITALITY SECTOR: A STUDY WITH REFERENCE TO 5 STAR DELUXE HOTELS IN BANGALORE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DOES BRAND IMAGE INFLUENCE RETAIL STORE IMAGE? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| EXTERNAL AUDITOR INDEPENDENCE– REAL OR IMAGINED? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| LOGISTICS MANAGEMENT IN RETAILING: CONCERNS AND SOLUTIONS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ESCALATING INDIAN ECONOMY: ENDURING CONTRIBUTION OF WOMEN ENTREPRENEURS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| RETAINING COMPETENT HUMAN TALENT THROUGH IJP WAY – A CASE OF CITIFINANCIAL INDIA | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| TOURISM IN KERALA: A STUDY OF THE IMPERATIVES AND IMPEDIMENTS WITH FOCUS ON ECO-TOURISM | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| A STUDY ON STRAIGHT THROUGH PROCESSING IN NON – LIFE INSURANCE OPERATIONS WITH SPECIAL FOCUS ON CLAIMS PROCESSING & SETTLEMENT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| INITIAL PUBLIC OFFERINGS (IPOs) IN THE PRIMARY CAPITAL MARKET | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| BUSINESS ETHICS – A COMPETITIVE ADVANTAGE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Comments/Suggestions (if any)

Name : Mr/Ms./Dr./Prof. Designation :

Address :

Phone / Mobile E-mail :



Printed and Published by

RAJ KUMAR GOEL INSTITUTE OF TECHNOLOGY (MBA)

(Affiliated to Uttar Pradesh Technical University, Lucknow)

5 Km Stone, Delhi-Meerut Road, Ghaziabad (UP) 201003, INDIA

Tel: 0120-2788273, 2788409, Fax: 0120-2788350/447

E-mail: saaransh@rkgit.edu.in Website: <http://www.rkgit.edu.in>