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SAARANSH

RKG JOURNAL OF MANAGEMENT

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Contents

An International Bi-annual Refereed Research Journal

Founder
(Late) Sri Raj Kumar Goel

Commandment
from the Founder

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

अज्ञानेनावृतं ज्ञानं।

श्रीमद भगवत गीता अध्याय 5, श्लोक.15

Aims and Scope

Saaransh is an international bi-annual refereed research 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.

प्रो० विनय कुमार पाठक
कुलपति
Prof. Vinay Kumar Pathak
Vice-Chancellor

उत्तराखण्ड मुक्त विश्वविद्यालय
Uttarakhand Open University

Message

Date : 3.11.2011

I am very happy to learn that the **Raj Kumar Goel Institute of Technology (MBA),** Ghaziabad has been publishing an international bi-annual research Journal entitled **SAARANSH-RKG Journal of Management** since July, 2009 to provide a forum for discussion of advancement particularly in the area of **management.**

The journal contains research papers, articles, book reviews and case studies. It is a matter of great satisfaction that within a period of only 2.5 years, the journal has established its credentials in industry and academia alike and it is listed in **Cabell's Directory, USA.** The value of any journal depends upon its quality of research papers. The efforts of the editorial board are appreciable keeping in view the keen interest being taken in the Journal both by academicians and executives throughout the country as the journal publishes the research papers of renowned indigenous and foreign authors.

I congratulate the RKGIT family for the success of their valuable publication and wish that the **6th Issue of Journal** is a grand success. I express my best wishes to the readers of this issue in particular.

(Vinay Kumar Pathak)

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From the Desk of the Chief Editor....

Foreign Direct Investment refers to the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, other long-term capital, and short-term capital as shown in the balance of payments. It usually involves participation in management, joint- venture, transfer of technology and expertise.

FDI in India has increased over a period of time due to the efforts been made by the Indian government. The increased flow of FDI in India has given major boost to the country's economy and hence steps should be taken to make sure that the flow of FDI in India continues to grow. The efforts evident from the opening up of retail sector for foreign companies. The Reserve Bank of India (RBI) and Foreign Investment Promotion Board (FIPB) are the two key government entities who control and monitor FDI in India. FDI in general is allowed in India except in few sectors which are controlled by the government but a prior approval of the RBI and FIPB is needed to carry out certain business in India.

Due to coming of foreign companies' the domestic companies have become more competitive, new infrastructure has been build, thus real estate sector has also grown significantly there by boosting the banking sector, as money needed to build infrastructure and houses provided by banks. In a recent survey it was found that the domestic banks are giving serious competition to foreign banks.

A number of estimates show that about 80Lakh jobs will be created in India. These career opportunities will be created mostly in retail and real estate. But it will create positive impact on others sectors as well. In the retail sector the farmers and manufacturers will get fair share in profits by contract farming. Consumer will get variety of products at low prices compared to market rates, and will have more choice to get international brands at one place.

But at the same time a bit of caution is needed on the part of the Indian Government. All measures should be taken to earn the confidence of domestic retailers and vendors. They should not feel threatened. This is only possible by including them in the thought process and decision making. India is a big market which is still in the growth phase. Hence policies should be such that not only the foreign companies make huge profits but we also get our fair share.

Our journal has come a long way since its inception and I would like to thank, the eminent scholars, researchers and academicians who have contributed in making this possible. Hope this relationship continues the same way in future. I would also like to thank everybody whose research papers have graced this journal. And last and not the least I would like to extend my gratitude to our reviewers who contributed immensely in making SAARANSH a comprehensive and resourceful journal.

Dr. Arvind Singh

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A VERY WARM WELCOME TO PROF. (DR.) A.K. BAKHSHI

Vice Chancellor, Uttar Pradesh Rajarshi Tandon Open University, Allahabad

Prof. A.K.Bakhshi is appointed Vice Chancellor of Uttar Pradesh Rajarshi Tandon Open University (UPRTOU) Allahabad. He has been Head of the Chemistry Department, University of Delhi where he holds the prestigious Sir Shankar Lal Chair of Chemistry since 1996. A double gold medalist of Delhi University, Dr. Bakhshi did his post-doctoral training at the University of Erlangen-Nurnberg, Germany with Prof. J. Ladik and at the Kyoto University and the Institute of Fundamental Chemistry, Kyoto, Japan with Professor K. Fukui, the Nobel Laureate and Prof. T.Yamabe. He has also been a Visiting Scientist at the Tata Institute of Fundamental Research (TIFR), Mumbai and the Indian Institute of Science (IISc), Bangaluru.

Prof. Bakhshi's research interests include theoretical polymer chemistry with special reference to electrically conducting polymers and biopolymers. He is the author/coauthor of more than 150 research and education articles, five books/monographs and one patent. He has made very significant contributions in his areas of research. Many students have obtained their Ph.D / M.Phil under his guidance. His most significant contribution has been in developing an insight into the structure-property relationship in electrically conducting polymers. These results are important guidelines for molecular designing of novel electrically conducting polymers. Prof. Bakhshi has also shown on the basis of his calculations, the existence of a high probability of hopping conductivity in proteins as the mechanism of energy transport. These results significantly add to our understanding of oxygen metabolism in humans and/or photosynthesis in plants.

Prof. Bakhshi has been conferred with several awards and academic honours. These include : Fellowship of the IUPAC; Distinguished Teacher Award; Chemical Research Society of India (CRSI) Medal; Fellowship of the National Academy of Sciences (FNASc); JSPS Fellowship; DAAD Fellowship; INSA Research Fellowship; UGC Career Award; Prof. P.K.Bose Memorial Award of the Indian Chemical Society, Best Paper Award in the field of Chemical Sciences from DAAD; Young Chemist Award; Dr. Krishan Rao Gold Medal, Dr. R. D. Desai Award of the Indian Chemical Society, Prof. R.P. Mitra Gold Medal etc.

Prof. Bakhshi has been elected President of the section of Chemical Sciences of the Indian Science Congress Association (ISCA) for the year 2011-12.

Prof. Bakhshi has delivered many Invited Talks / Plenary Lectures / Keynote Addresses and Chaired Technical Sessions at various conferences and institutes both in India and abroad.

Prof. Bakhshi has also been very actively involved in the organization of many national / international conferences, workshops and seminars.

Prof. Bakhshi is presently member of the editorial board of the Indian Journal of Chemistry (Section A). He has also been the member of the editorial board of the Journal of Scientific and Industrial Research published by the CSIR and also the Chief-Editor of the UGC-sponsored journal Chemistry Education Review. He was also co-guest editor of the special issue of the Indian Journal of Chemistry on Conducting Polymers.

Prof. Bakhshi has also been part of many Important Committees of National / International Importance including Distance Education Council (DEC).

Professor A.K. Bakhshi has also been the Director of the Institute of Lifelong Learning (ILLL), University of Delhi and the Centre for Professional Development in Higher Education (CPDHE), a UGC Academic Staff College of the University of Delhi during January 2008 – December 2010.

In his capacity as Director ILLL, he spearheaded the process of e-transformation of the University of Delhi. Prof. Bakhshi was felicitated by the Former President of India Dr. APJ Abdul Kalam for his contributions in the e-transformation of the University of Delhi, as Director ILLL.

Last but not the least, Prof. Bakhshi has also the distinction of being one of the first persons from the Universities in India to have been selected as the Member Scientist of the " Third Indian Research Expedition to Antarctica" in 1984.

We welcome and wish you continued success on behalf of the RKG Group of Institutions.

Dr. Vinay K. Srivastava

A STUDY ON MANAGING HUMAN CAPITAL IN GLOBAL MELTDOWN

Sheeba Rehman Nizami* **Ali Khursheed Ahmed****

ABSTRACT

One of the greatest Recession waves has hit the global economy and the entire financial and economic balance of almost all the developing as well as the developed world has been shaken like never before. During these tough times, when even the most prosperous world economies like the US, Japan, Germany and other European Union nations along with rest of the developed and developing world are facing the uphill task of meeting the challenge head-on and still keep the growth going – almost all functions of the organizations have come under the scanner to cut down on costs and somehow survive. This Research Paper is an attempt to highlight the role that Human Capital has to play in the Global Meltdown and how it can be used to manage the Changes that the organization will have to undergo to survive and tide over the threat from the global recession wave.

Key Words: *Economic Crises, Global Meltdown, Layoffs, Human Capital, Recession, Developed world, Turbulent financial market, Pink-slip, Trimming of Human capital, Change management, Damage Control*

INTRODUCTION

A recession is a general slowdown in economic activity over a sustained period of time, or a business cycle contraction. During recessions, many macroeconomic indicators vary in a similar way. Production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes and business profits all fall during recessions. It often results in harsh measures like cost cutting, mass lay-offs etc. A recession normally takes place when consumers loose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less as they fear stock values are likely to fall and thus stock markets fall on negative sentiment. Now, we will try to understand the current situation of the recession and meltdown in the developed world and primarily of its effects on the Indian economy.

THE IMPACT OF THE MELTDOWN ON THE DEVELOPED WORLD

Dubbed almost universally as one of the Worst financial crisis to have ravaged the United States since the Great Depression of 1930, the current recession wave has already taken a heavy toll on the world's largest economy. In fact all the economies of the world are facing crisis to tackle this global meltdown. The meltdown has led to shock waves across the world, with economy after economy gasping for breath. There are rise in the number of job layoffs and cost cutting in desperate attempts by companies and economies to stay afloat and survive the scare.

More than half of the world's economy has shrunken and among them USA - the citadel of capitalism and free market has suffered the worst. In the first ten months of 2008, there have been 1.2 million job losses in the USA and the economy has suffered heavily due to financial crisis resulting in global credit squeeze. "There is a real risk that millions will be thrown back into poverty." (Dominique Strauss- Khan, MD, IMF)

Massive job cuts and lay offs are happening all across the developed world as damage control exercises take center stage. Citigroup has decided to lay off 53000 jobs and slash its expenditure by 20 per cent next year. The measures are part of the Citigroup's efforts to overcome the huge losses it has suffered in the last four straight quarters, including $2.8 billion in the third quarter. Caterpillar, the world's largest heavy equipment has also announced that it was slashing up to 5,000 jobs on top of several earlier actions.

That apart, some of the most recognizable names in the U.S. and abroad—including ING, Pfizer, Philips, Sprint Nextel, and others—have announced that they would slash hundreds of thousands of jobs, further straining an already deeply troubled global economy as per CNBC's reports A slew of American heavyweight companies, including Caterpillar, Pfizer, Sprint Nextel, Home Depot and General Motors, announced cuts adding up to 45,000 jobs lost. What's more, a group of business economists predicted many more job losses in the year ahead. The Year of the Ox in the US, hence, has brought a rather unfortunate omen for the developed world's economy.

THE IMPACT OF THE MELTDOWN ON INDIAN ECONOMY

"A crisis of this magnitude is bound to affect our economy as it has. International credit has shrunk, with adverse effect on our companies and banks". (Dr Manmohan Singh, Prime Minister of India)

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**Training Manager, SBG Riyadh, KSA

With the advent of 2009, economists are debating the extent of the impact of global meltdown on the Indian economy in 2009. When the economy bubble of the US actually started bursting, earlier many argued that the meltdown would remain confined to the developed western world alone. The mandarins of Indian Economy were skeptical and unwilling to accept the effect of recession on Indian economy. The predictions ranged between somewhat optimistic to fairly pessimistic. But the common thread running is that 2009 was predicted and is proving challenging as well, indeed.

As was suggested by the economic analysts, slowdown in developed economy has affected emerging economy like India in two fronts: The first and the major reason is that USA is India's largest trading partner.

Most of the US companies and even companies from rest of the developed world do business in India in one way or the other. Hence, the slowdown in the US and the West has rippled with its effect into Indian as well and signs of a slowdown have now become evident in India as well. Exports are showing the signs of flagging, customers have started canceling orders and payments are not made on time. Secondly, the financial linkage it has with India may take a severe turn because of prolonged recession. The same holds true for most of India's other developed world business partners.

HOW THE MELTDOWN IS AFFECTING INDIAN ECONOMY?

Although our Union Finance minister has maintained that India will not be affected much by the recession but the fact remains that Indian Inc are getting hit by this slump worldwide. The stock market in the country has crashed in last few months and trade is also been low.

Hence, taking stock of facts; the major fronts on which the Indian economy will get affected and is in fact, already being affected by the global meltdown are many. The prime ones are enumerated below:

a). Slowdown in Jobs –

India is the hub of all BPO (Business Process Outsourcing) as well as KPO (Knowledge Process Outsourcing) activity to almost the whole of the developed world and companies like Lehman Brothers, Merrill Lynch, AIG and Morgan Stanley, to name a few, have their captive research units, brokerage arms, investment banking arms in India employing several hundred thousand people in these BPOs and KPOs. In light of these huge companies getting severely hit by the meltdown, jobs in India will definitely be affected.

That apart, almost all Sectors like real estate, aviation and information technology have already started downsizing their employee strength. Technology companies like TCS and IBM had removed more than 500 people each citing poor performance long before the Lehman Brother winds swept across India. There are newspaper reports about DLF (because of the cash crunch) and Kingfisher (rise in aviation oil price and lesser number of flyers taking to the skies) reducing their staff strength by 300. And almost every other company is following suit.

b). Turbulent Financial Markets –

The Indian Sensex has been dancing up and down ever since the recession story started and foreign investment has been playing tip-cat with the Indian financial markets. India is no longer an isolated island, but is following whatever is happening in the US, Europe or Asian stock markets as is evident from how the Sensex has recently been following the Nasdaq and Dow Jones. Same is true for the prices of oil, gold, and aluminum, copper, steel and any other commodity.

c). Increase in loan rates -

First it was the inflation rate that spoiled the party for Indian borrowers of home loans, personal loans and credit card purchases. Now taking a cue from the US banks -- which today are so wary that they are not even lending to each other for the fear that they may not get their money back -- Indian banks too have decided to thoroughly scrutinize the repayment capacity of Indian borrowers lest they too go the Lehman Brothers way. As their cost of money goes up banks will pass on this increase to their customers, i.e., borrowers like you and me, at a higher rate of interest. If banks feel that borrowers may not return their money they are going to price it higher to cover the risk of a few defaulting on their payments. Hence, the rates of Interest would definitely climb higher.

d). Cautious Times Ahead -

With the US economy firmly in the grip of a slowdown owing to the housing price collapse and the subsequent sub-prime drama, this slowdown is fast snowballing across global boundaries and more so India as we depend a lot on the US for the money they bring in. As the US funds tap is expected to run dry in the next 6-12 months Indian companies will be starved of the much-needed cash to expand their businesses. An impact is already visible in the real estate sector as developers scour the world in search of cheap money. If this slowdown impacts the investment climate in India then we can no more dream of the 7.5-8 per cent growth rate that was once upon a time considered a given. Hence, the times ahead are challenging ones and a cautious yet bold stance has to be taken to tide over the recession and resume growth.

e). Cuts everywhere –

Job Cuts, Salary Cuts, Production Cuts and Budgetary Cuts. Its all happening there. The Era of the pink slip has loomed large and even those who are surviving with their jobs are facing salary cuts, appraisal stops and even negative increments. Apart from that, production costs have been cut in most of the companies of the Indian Manufacturing sector due to the economic downturn. The survey conducted by FICCI on the impact of slow down on the Indian manufacturing sector that textiles, metal products machinery and equipments, leather and chemicals etc, have planned cuts in their production ranging from 10% to 50% for the period November 2008 to March 09. Companies across the globe have also tightened their belt by resorting to budgetary cuts. Reliance Industries Ltd. has launched "Mission Kurukshetra" to optimize costs across all its major industrial operations. Infosys, Wipro Technology and TCS Ltd. have also economized through the reduction of power consumption, cutting travel and postponement of capital expenditure.

SCOPE OF THE RESEARCH:

The significance of the role of Human Resource professional is evident in the fact that 'People are the organization's biggest assets'. So, when the organization finds itself in relatively tougher times, it can definitely do much better than turn its cannon on its own assets rather than thinking creatively and attempting to find more productive alternatives to see-through such down-turn situations.

In the light of this stance, this paper examines the vital role that Management has to play to manage the changes occurring in the business environment and maximize the returns for the organization. It does so particularly in terms of the challenges employers and their organizations are facing and will face during the next few years before the recession wave subdues itself. The paper does this against the background of an explanation of the changing nature of business dynamics in the global meltdown and how HR can help in managing and influencing the overall organizational performance. The paper then identifies a range of issues which employers and their organizations will need to consider in developing appropriate strategies to respond effectively to the challenges they now confront.

RESEARCH OBJECTIVES

The primary focus of the organizations, in these trying times, should undauntedly be fixed on realizing the potential of their human capital and using their expertise to confront and best manage the changing organizational dynamics.

The objective of this paper, hence, maybe summed up in the following points:

- To understand the amount of threat posed to business in the Indian context due to the Global Meltdown
- To identify the various means by which the Human Capital of almost every other organization is being made to bear the maximum brunt on account of managing the meltdown
- To suggest measures as to how Human Resource professionals can actually play an important role in managing the human capital in global meltdown.

RESEARCH DATA

This paper has used well researched Secondary Data for the study and analysis. Attempts have been made to take the opinions of some of the most recognized industry leaders apart from the Secondary data which has been compiled and collated from - Books, Journals, Magazines, Articles, Research papers and Websites.

As per the secondary data collected, we examined the following specific but related questions: 1. How Economic growth is affecting due to global meltdown? 2. How is it affecting the developed world? 3. Impact of the meltdown on Indian economy. 4. How is Human capital suffering due to the meltdown? 5. How organisations are managing their human capital in this downturn.

ANALYSIS & FINDINGS:

Our data were compiled from various sources including research, publications, and the valuable thoughts of various but different business leaders, represent mainly the major steps are being taken by the different orgnisations to sustain in this economic meltdown. Our analyses are also determined the factors affecting the organisations' growth and survival and because of these factors and at the end how management is managing their Human Capital.

How is Human Capital Suffering because of the Meltdown?

The real test of any individual or institution lies in the stance that it takes in times of a crisis. The recent economic tsunami is definitely an occasion which requires each organization to put its best foot forward in managing the meltdown by formulating innovative and the best of strategies and seeing to it that they get executed exceptionally well. As the data and the statistics of the past few months suggest, ever since the meltdown scare started spreading, almost every other organization has resorted to different means of cutting down on costs and focusing on core competencies and functions. In the process, the support services and function within the same organizations have been forced to bear the brunt of cost-cutting the most. And amongst its other peers in the supporting function domain, HR has been the worsely hit. The Human Capital of many a company has been issued callous notices and made subject to unreasonable lay offs in the garb of controlling bulging expenditures and managing costs. So, what all has been the means by which organizations are pruning down on their human capital in order to cut costs? Some of the major steps taken in this regard are discussed briefly as follows:

a). Job Cutting Frenzy

Almost all the industries have slowed down on hiring and are feverishly cutting jobs. In fact, according to a recent survey report, even companies which have not been directly affected by the recession wave are also trying to use the excuse to trim their workforce riding on the recession explanation, hence adding to the human capital woes. Industry wise, apart from the Banking and Insurance industry, which has been a bit reluctant, almost all the other industries are cutting down jobs starting from Information Technology, Real Estate, Telecom, Retail, Consulting and so on. Hence, the once awed and admired HR professional is suddenly nothing more that a fixture in the organization, because the company doesn't feels it has a job anymore for him.

b). Doing away with the HR Function

Because it is being felt that the function of HR is not all that profitable to feed the revenue of other departments, there are some companies which are actually doing away with their HR function entirely and dividing the necessary HR functional workload in the other respective functions. Hence, they have started attesting to the school of thought that HR is nothing more than a fictitious function which anybody can do.

c). Trimming of Human Capital Sub-Functions:

Sub-Functions within HR have come under fire, especially the function for recruitments. Recruitments are not happening as it used to in the past few months, there are many organizations which are focusing on pruning and trimming their Recruitment teams and professionals.

Many companies have either completely done away with the recruitments division to cut costs or made each department responsible for their own recruitment, if the need arises. Similarly, employees earlier engaged in Performance management and Employee engagements have also been shown the door in many organizations. The former on the count that no appraisal is happening as of now and the latter because no company, however cash-rich is daring to think of providing lavish holidays, parties and perquisites to employees, atleast for some time.

d). Cut down of investment:

Chris Simpson, account manager for Business Link, said recently that downscaling business is "a major decision that you shouldn't take lightly" and should only be entered into when all other potential cost cutting ideas have been "exhausted".

Contrarily, Companies are very reluctant to spend on their employees in these tough times. And this stoppage on funds to the function is to the extent that they are not even willing to pay them their salaries on time as done by companies like Satyam to manage the crunch. The function of training and development has stopped getting the attention it used to in the growth times when everybody was keen on sending their employees for all sorts of trainings – Functional Training, Soft Skills Training, and Behavioral Training and so on, but not anymore, atleast for most of the mid-size organizations to cut costs. Although, there still are companies which feel that training employees on an array of skills is the only method of keeping them useful and profitably employable. Similarly, all investments on HR soft wares have been put on hold by almost every company and its back to basics for most of them now.

e). Salary Cuts:

The employees who are managing to somehow hold on to their jobs, either because their performance was too special to have them fired, or because of the mercy of their management boards – they are forced to accept an array of innovatively disheartening moves from their companies. Almost every company has put the Appraisal increment of all employees on hold. Companies like Air India have asked their Top Management to set examples by cutting down on their salaries and even to forego their salary for a couple on months. Many companies are stopping the payment of Bonuses and Incentives on the same pretext and some have moved a step further and have cut down the salaries of their staff by as much as half and are calling it 'Award of Negative Increment'. Compensation has also found attractive perquisites and fringe benefits like ESOPS, holiday packages and all the colorful stuff slowly being written off. All in the name of the Meltdown!

RECOMMENDATIONS & SUGGESTIONS

HR actually helps in managing the Meltdown:

Globally, as in India, HR planners have received a jolt because of economic slowdown exposing gaps in management of short & medium term impact on human capital and the enterprise.

Given the fact that most organizations are passing through a finance crunch, it is all the more likely to mean a squeeze on HR budgets. So when the going has got tough, the Human Capital can choose to be either a victim or part of the solution. Perhaps it's time for the profession to stand firm against calls from the top for a headcount review and possible recruitment freezes.

Even if redundancies are required, HR teams need to make sure they are up to speed to get employers to be more transparent about proposed cuts so that they have an important role to play in the exit formalities even if they are happening.

The Human Capital function is under fire and as pointed out by many, it has the tremendous potential to help in the cause of overcoming the meltdown and the problems that come with it. In the light of this, HR must now step up its efforts to minimise any negative media stories about employee misery over job cuts, by doing what it has done and what it does best -communicating effectively and following the correct procedures.

Some of the major ways in which the Human Capital of the organization can help in managing the meltdown situation for the company are discussed briefly as follows:

1. Communication Link:

In the current scenario, the communication link between the management and its employees has been snapped because of the tension of the recession. Management is unwilling to face the employees as all it is been doing since late has been against the interest of the employees and it is not ready to talk to them about it. For the employees as well, they are under constant stress and feel threatened to approach the management fearing that they may become the next targets to be fired.

In these tough times, its not serving anybody's purpose and this link of communication between the management and the employees is the Human Capital division. Hence, a very vital and extremely important role that the Management can play in the meltdown is to act as effective communicators to keep the channel of communication open and ease the tension as both the management and the employees are in tough times.

2. Change Management:

Change Management is an important sub-function of HR and the task of managing and planning change management has to be assigned to professionals. And what more serious change would there be than the current Meltdown. Hence, the Management of the organization needs to be brought into the picture to continuously counsel the employees about the current scenario that the organization is confronted with and make them aware as to what is expected of them in this situation and how they are expected to behave and perform. And every smart organization would be willing to work with the Human Capital division to have a more permanent change management mechanism that knows more that just firing employees to manage tough times.

3. Motivate Performance:

Although the industry is going through a lean phase, still, as they say, the show has to go on! And for that to happen, the employees who are at work need to find enough motivation in their jobs to perform. This is another important role that the Human Resource professional has to play. All employees must be made comfortable and they should be made to understand that the organization is as much with them in these tough times as it was when things were much better. They should be motivated with examples that its not that the company can fire everybody and still survive.

4. Training & Development

Training the employees on a diverse set of skills and preferably through internal resources is being dubbed as one of the best bets to keep the employee and ensure that keeping him is profitable as well. The culture of multi-tasking should be introduced and employees should be trained on an array of functional and behavioral skills so that they are also able to contribute meaningfully to the organizational performance and justify their presence by making it count. Help out of the way to keep them engaged in Training, EDP, sabbatical education, may be full-time MBA, short time programs or On-line courses

5. Look at Human Capital as a Working Partner

Rather than locking horns with the Human Capital of the company, the best that the management can do is to look at it as their working partners who will help the organization revive its vitality with time and with its support. Hence, the usefulness of the management function will then be seen to assume the role of Strategic dimensions rather than mere functional importance and it is this approach which will help the organization to best utilize their human capital.

6. Managing Exit, if is has to happen

It cannot be completely discounted that in certain cases, laying off some employees is the only option. For such chronic cases, the management has to take the tough step of laying off the requisite number of personnel. But then it should be clear that Lay-off is not the only alternative to manage surplus workforce during economic slowdown. Examine other ways of cost cutting like freezing benefits etc. Lay-off has to be the last resort.

And in those situations, the Human Capital division can actually make the experience less traumatic and painful for the outgoing employee by effectively communicating the reasons of his exit and making it clear that it's the situation and not his performance which has warranted the decision. Be humane and counsel the surcharged laid-off employees and let them all be aware of the critical situation and compromise on certain economic aspects.

7. Counselling and Damage Control

Quite a few employees are aware that their time may have come as they anticipate their exit notice. In such a situation, the Human Resources professional has to compassionately counsel the outgoing employee and try to do as much damage control to make the experience bearable. This is just so important to keep up the morale of the employee. Also, there are companies who are offering classified Outplacement services wherein they even help the laid off employee in finding a new job.

8. Acting as a Bridge

The HR department needs to act as a bridge between the employees and the management. The perception and viewpoints of the employees has to reach the management to stop them from crossing the line in cutting jobs and headcounts in the cost cutting frenzy. And it should be brought to the notice of the Top Management that the best of initiatives get successful when they are implemented by setting an example. Render the feeling that it is better to swim and sink together- all cuts should start from the top to the bottom: "Examples are better than percept"

9. Re-invent Policies and Innovative Practices

Innovativeness has helped many a people survive many a scare. The same holds true here as well. Reinvent policies so that employees feel wanted and that will improve employees loyalty The Human capital function should work on introducing innovative practices to the workplace like Flexi-time and Flexi-Work because actual performance is far more important that physical presence. Similarly, more employee participation wherever possible, job rotation, skill enrichment, sharing challenges, team work, performance related compensation, timed-Appraisal delays, etc. can be effective practices to keep the employee confidence high while also keeping in tune with the cost management motives.

10. Bring back Calm and Fun to the Workplace

Times have become tough and the employees have becomes tensed. And it is common knowledge that when workers are not relaxed in their minds, their performance can never reach its real potential. Have lots of fun at the workplace to relax the mood as the current slowdown has induced a great amount of anxiety and fear among the employees: "Humor is the greatest stress buster."

CONCLUSION

Not so long ago, the favorite quote of every organization was - "People are the companies' greatest asset. It does not make any difference whether the product is cars or cosmetics" (Mary Kay Ash, Owner of Mary Kay Cosmetics). It was said that recession had changed everything. But has actually the role of the human capital dwindled so much as has been felt by many. The reasons we discussed above speak volumes about how human capital still remains the Greatest Asset of the organization. It's just that this asset has a relatively newer and more challenging role to perform now. And to conclude, the famous saying has it - "The final proof of greatness lies in being able to endure criticism without resentment" (Elbert Hubbard).

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ROLE OF THE GOVERNMENT IN FINANCING AND REGULATING INFRASTRUCTURE – RATIONALE, OPTIONS, RISKS AND CHALLENGES, WITH SPECIFIC REFERENCE TO HIGHWAY PROJECTS IN INDIA

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ABSTRACT

The objective of this paper is to study and analyse the role of the government in financing and regulating infrastructure sector, with specific reference to rationale, options risks, and challenges of financing infrastructure projects in India through public private partnership (PPP) mode. The economic consequences of government provisions of goods and services are thoroughly discussed. The role of the government in regulating the institutional structure for generating intended economic outcomes in a country amenable to market failures is elucidated. In today's world of globalisation and technological changes, unconventional financing options for infrastructure projects have been explored. PPP is a viable financing option for infrastructure projects. However, such projects have inherent risks for different stakeholders, which are discussed with particular reference to Highways Projects in India. Allocation and management of these risks is an important factor for success of the PPP model infrastructure projects. The paper concludes with some policy recommendations and suggestions on infrastructure reforms.

Key Words: *Infrastructure, allocative effects, distributive effects, public good, externality, free-rider, economic efficiency, market failures, government intervention, public private partnership (PPP), NHAI, stakeholders' risks.*

INTRODUCTION

The term infrastructure is quite heterogeneous. It covers economic infrastructure such as roads, ports, water and sewage systems, electricity, telecommunications, irrigation systems, etc. as well as social infrastructure such as schools, community centres, health care, etc. It is essential that the specific characteristics of different types of infrastructure are recognized. As a result of globalization and associated technological changes, countries are finding it increasingly difficult to rely on conventional tax base to finance infrastructure. Therefore, countries will need to be much more skilful at raising resources through unconventional methods like auctions, permits, licensing fees, user charges, and the like. They will also need to ensure that the cost recovery and user charges are designed and implemented in a manner more consistent with economic efficiency and equity than has traditionally been the case. In order to produce an efficient allocation of resources to achieve economic efficiency in the provision of infrastructure as a 'public good'[1], the government has to consider various challenges posed by 'market failures', including 'externalities'. As the opportunity cost associated with the increase in public sector output is a loss of other goods and services produced by private sector, a trade-off between the two is required so as to achieve Pareto efficient condition[2].

In this paper, an attempt has been made to study and analyse the role of the government in financing and regulating infrastructure sector, with specific reference to financing infrastructure projects in India through public private partnership (PPP) mode. The economic consequences of government provisions of goods and services and their use in devising policies for financing infrastructure projects are thoroughly discussed. The role of the government in regulating the institutional structure for generating intended economic outcomes in a country amenable to market failures is elucidated. Various options for financing government expenditure are suggested in order to allow for a trade-off between efficiency and equity. In today's world of globalisation and technological changes, unconventional financing options for infrastructure projects (at construction and operation phases) are explored. Although PPP is a viable financing option for infrastructure projects, it has got inherent risks for different stakeholders, benefits as well as weaknesses. These are discussed with particular reference to Highways Projects of National Highway Authority (NHAI) in India. Allocation and management of these risks is an important factor for success of the PPP model infrastructure

[1] Goods that provide non-rival consumption - one person's increase do not reduce quantity to other. Benefit from one unit is the sum of benefits to all users.
[2] A Pareto efficient condition is when no one can be made better off without someone else being made worse off.

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Note : The views expressed in this paper are personal and does not necessarily reflect the views of the UNDP or Government of Afghanistan or Government of India.

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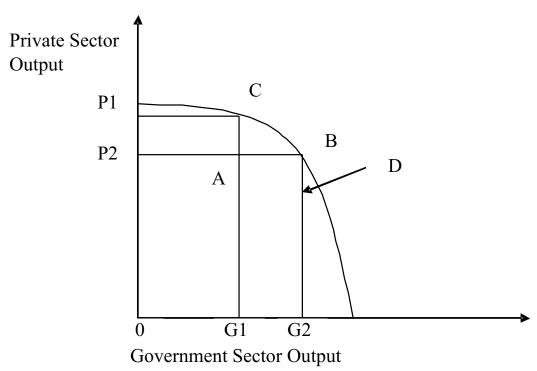
projects. The paper concludes with some policy recommendations and suggestions on infrastructure reforms for the Government of India.

RATIONALE OF GOVERNMENT EXPENDITURE ON PUBLIC GOODS

At the outset, let us understand the rational or economic consequences of government expenditure on public goods. The consequences vary greatly, depending on how governments spend the funds. The economic effects of government expenditure on public goods fall into two categories: 'Allocative effects' and 'Distributive effects'. Allocative effects refer to the way public expenditure affects the pattern of goods and services produced by the economy. For example, does a particular subsidy lead to an increase in the output and consumption of the subsidized good? If so, what are the opportunity costs elsewhere in the economy? Are the other outputs being reduced? Distributive effects refer to the impact on the distribution of real income or well-being i.e. who benefits and who loses from the public expenditure? In most cases distributive effects are not just on income but on consumption, asset distribution, and access to current and future opportunities. The impact of expenditures on prices also requires careful attention as expenditure that increase demand but not matched by corresponding increase in supply, could result in sectoral inflation overall.

Fig 1: Allocative Effects of Government Provision of Goods and Services



There are two ways the government can spend to stimulate output of some good that is not provided by the private markets. The government could pay the private firms to produce the good or it could hire the resources and oversee the production itself. The allocative effect, regardless of the method used, will increase the output of the desired good. In both cases, resources that would have been used to produce other goods in the private sector are used instead to produce goods in the public sector.

The trade-off is illustrated in Fig.1, where output in the government sector is measured horizontally and in the private sector, vertically. Initially suppose we are on point C, with the economy producing OG1, in the public sector and OP, in the private sector. Now, the government increases its production so that government sector output increases to OG2. The result is a move to point B. As a consequence, private sector output falls from OP1 to OP2. The opportunity cost associated with the increase in government output, G1G2, is a loss of other goods and services equal to P1P2.

A competitive price system tends, under certain conditions, to produce an efficient allocation of resources to achieve 'economic efficiency'. In a competitive price system, the demand and supply curves can be interpreted as measures of marginal benefits (MB) and marginal costs (MC) of production. Thus, the efficient rate of output is where marginal benefits and marginal costs are equal (similar to price). As per the Fundamental Theorems of Welfare Economics,

1. As long as producers and consumers act as perfect competitors, i.e. take prices as given, then under certain conditions, a Pareto efficient allocation of resources emerges.
2. Every point on the utility possibilities frontier can be attained by a competitive economy provided we begin with the appropriate distribution of resources.

Pareto conditions can be derived for infrastructure, which is a 'public good'. Consumption efficiency condition is no longer relevant as all individuals must consume an identical quantity of the public good and therefore cannot make adjustments at the margin. As each individual consumes an identical quantity, but if it is required to pay according to the marginal benefit of the last unit of the public good consumed, then this condition becomes

$$\Sigma MB = MC$$

Now the question is who should produce public good. Government production of a public good is advantageous because the government can assess taxes or fees to pay for it. Who should pay for the public good? How should taxes be collected to finance it? Efficiency considerations alone do not provide an answer, as equity considerations are also relevant. One option for financing is to charge each taxpayer an amount per unit equal to the marginal benefit the taxpayer receives from the provision of the public good. This is in accordance with the Benefit Theory of Taxation. This holds that each person should pay taxes in proportion to the benefits received from governmental services. But this is not as simple as it appears, because of the presence of 'externality'[3] and 'free-rider'[4] problem. Externality refers to an unintended economic gain or loss accruing to one or more recipient units as a result of an economic action initiated by another economic unit provided it is not captured in the market price. While pecuniary externalities affect

[3] *An externality is when one party directly conveys a benefit (positive) or cost (negative) to others.*
[4] *Free-rider problem: One party contributes less than its marginal benefit to the resolution of the externality.*

distribution they do not affect Pareto efficient allocation. For example, sudden increase in student enrolment in a coaching town like Kota (Rajasthan) raises rent for everyone. To take another example from Gould et al (2005), Mall is owned and operated by single entity – can charge lower rent to compensate "anchor tenants" for attracting business; department store can capture part of externality through lower rent; but it will not happen if dept store is located along Open Street. Whenever, externalities entail the provision of public good such as clean air, water or public infrastructure like roads, a free-rider problem arises. For example, immunization reduces risk of infection and benefits others, but some people would not voluntarily undergo immunization – they benefit from immunity of others, but not willing to incur the cost themselves. Determining how much of a public good to provide when free riders exist is difficult.

The government has several policy instruments or financing options to deal with externalities, such as tax-subsidies, fines, rules and regulations about consumption, production and disposal, distribution and banning the item or activity all together. The above discussion leads to the conclusion that government expenditure for provision of public goods in a welfare State should be so designed that a trade-off between efficiency and equity is reached. The options for financing government expenditure, as symbolically represented below, should be exercised very carefully so as to resolve the problems of externality associated with public goods and non-conventional methods should be increasingly used.

OPTIONS FOR FINANCING GOVERNMENT EXPENDITURE

$$G = R + B + ?M + FF + S_d$$

Where:

$$G = G_c + G_i$$

$$R = R_t + R_n$$

$$B = B_d + e^*B_r$$

$$FF = FI + A + S_f - ?R_s$$

Where:

G = total expenditure on final goods and services and on transfer payments by the government

G_c = government consumption expenditure

G_i = government investment (or capital) expenditure

R = total operating revenue of the government

R_t = total tax revenue

R_n = total non-tax revenue (fees, levies, fines, user charges, and cost recovery)

B = total borrowing by the government in a given year

B_d = domestic borrowing from non-monetary authorities

B_f = total borrowing abroad, excluding foreign aid and grants

e = exchange rate

M = money supply

FF = non-debt sources of net foreign finance

F_t = foreign investment (net)

A = foreign aid (net loans and grants)

S_f = sale of foreign assets by the government

R_s = foreign exchange reserves

S_d = sale of domestically – held government assets (divestment and privatization)

MARKET FAILURES AND GOVERNMENT INTERVENTION

The origin of the market failure concept was to demonstrate that under certain circumstances, role of government can be normatively explained. But, overtime, it acquired a type of diagnostic use to indicate precisely what type and extent of government intervention is needed. This occurred in wide variety of areas such as law, health care, infrastructure, etc. Reasons provided by the authors for failure of market failure are:

i) Market failure is everywhere. The authors argue that there is absence of market failure when property rights are fully specified and in which transaction costs are zero. Then the allocation of resources is efficient.

ii) Externalities are defined by transaction costs. Externalities arise because the transaction costs resolving them are too high. The net value of externalities constitutes the lower boundary for associated transaction costs. Moral hazard, adverse selection and principal-agent-problem give rise to externalities.

Any time government can reduce private transaction costs or its own costs of provision, it should do so, regardless of market failure, including externality. Zebre and Mc Curdy (1999) suggest three main propositions on market failure and government interventions:

i) Economic theory does not lead to a general presumption for or against the market system.

ii) Market failure does not necessarily justify recourse to government, while the government failure does not necessarily justify recourse to the market.

iii) Economic boundaries of the state are not static, and neither has the changes been smooth historically.

The World Development Report (1998-99) has specified five groups of generic policies that government intervention is required:

i) Freeing, facilitating and stimulating markets

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ii) Using taxes and subsidies to alter incentives

iii) Establishing rules

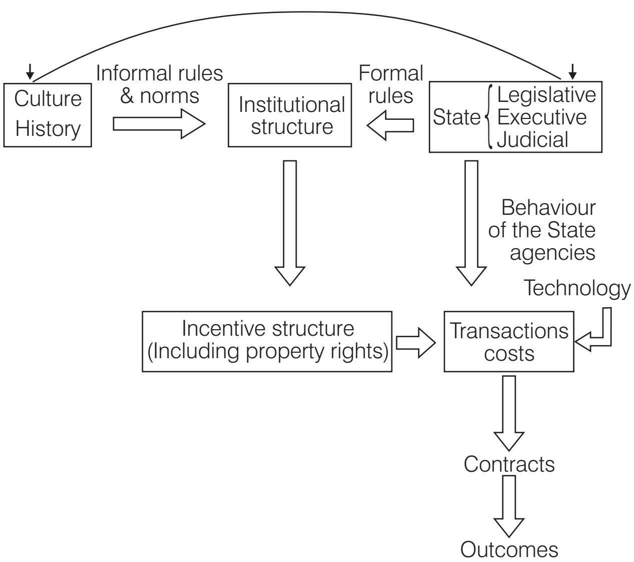
iv) Supplying goods through non-market mechanisms

v) Providing insurance and cushions

For the last two decades of twentieth century, there was considerable enthusiasm for the market. However, the Asian Financial crises towards the close of the century and the recent global economic meltdown have once again favoured a shift towards government intervention through proper regulation and control mechanism.

The role of the government in regulating the institutional structure for generating intended economic outcomes in a country is elucidated in Fig.2

Fig 2: The state, institutions, and economic outcomes



Source: World Development Report (1997), p.30

FINANCING OF INFRASTRUCTURE - OPTIONS AND CHALLENGES

As a result of globalization and associated technological changes, developing countries are finding it difficult to rely on conventional tax base to finance infrastructure projects, requiring large investments with high gestation period. As explained in foregoing paragraphs, government provision of public goods like infrastructure can neither be dispensed with nor be left to entirely to the private sector. So the government has to explore raising resources through unconventional methods like auctions, permits, licensing fees, user charges, and the like to augment its resources for financing infrastructure projects. At the same time, it should encourage but regulate the private sector in investing in infrastructure. While doing so, it needs to ensure that the cost recovery and user charges are designed and implemented in a manner more consistent with economic efficiency and equity than has traditionally been the case.

The *construction phase* of most of the infrastructure of a country has traditionally been financed from the budgetary receipts, including government borrowing. However, globalisation and technological changes and consequent changes in public demand have increased government budget constraints. Due to inadequate fund availability, accumulation of backlog of projects and consequent cost overruns, and inefficiency in the provision of infrastructure by the public sector, there is an increasing need for private sector investment in infrastructure. Access to latest technology and financial markets along with robust capacity to bear the risks give private sector an edge over the public sector in dealing with infrastructure projects. While the private sector or public private partnership (PPP) may assist in some areas of infrastructure, adequate and effective public expenditure on most areas of infrastructure remain essential for crowding-in other investments.

The financing of the *operating phase* has often been based on cost recovery, with varying degrees of subsidies provided for different types of infrastructure and for different users. The design and level of subsidies have often been influenced by such considerations as political power of the users and the election cycles. Predictably, such subsidies have often been neither efficient nor equitable. While cost recovery implies that an activity is worth subsidizing, the main issue is the level of subsidization. 'User charges' implies that users should pay for the full cost of the economic activity. For some types of infrastructure, it is the user charges rather than cost recovery which are more appropriate. The nature and the type of risks associated with infrastructure financing, including political and regulatory risks have also become considerably more varied and complex, and so have the methods for addressing them. The main challenge, therefore, is to make the current tax systems more consistent with developments in the world economy, but without compromising the balance between the objectives of efficiency, equity, revenue generation and low administrative and compliance costs.

Public sector enterprises also need to utilize their existing assets more efficiently, and explicitly take into consideration the hidden costs borne by their organizations. To reap benefits from the new methods of financing and managing infrastructure, well defined and enforced property rights and regulatory laws, policies, and procedures, as well as skills not usually attributed to the civil servants, will be needed. It should be stressed that the role of government will remain critical, though its nature will be different when new methods are used. Its main role will be to ensure credibility and professionalism to the contract awarding and negotiations process. The government has to ensure that the regulatory policies and infrastructures strike an appropriate balance between the interests of the consumers, producers, and the overall public interest. The recent controversy of mass resignation of 16 Chief Engineers of National Highways Authority of India (NHAI) to protest against the Planning Commission's policy of financing road infrastructure is a point to ponder. Another teething problem is the new regulatory structures used by operators of some types of infrastructure (e.g. Telecom operators) to obtain greater concessions from the government, leading to the 2G and 3G scams in India. The Enron's Dabhol power plant case also reflects the importance of contract specification and negotiating skills, and the need for transparency in infrastructure privatization. The contract specification required the State and the Central governments to assume rather large contingent liabilities, which have now become actual liabilities, with sharply adverse impact on the fiscal balance.

FINANCING HIGHWAY PROJECTS USING PPP APPROACH IN INDIA

The NHAI has been assigned the task of executing National Highway Development Project (NHDP) by Govt. of India. The improvement of National Highways under NHDP marks the beginning of a new era. The NHDP includes the Golden Quadrilateral (GQ) under which four metropolitan cities of Delhi, Kolkata, Mumbai and Chennai, which are the hub of the economy for the country, are being linked by four / six lane state of art modern roads. The PPP has been a preferred approach for the highway projects by NHAI because of two main reasons – (a) PPP is expected to augment resource availability as well as improve efficiency of infrastructure service delivery and (b) time and cost overrun in construction of PPP projects are also expected to be lower compared to traditional public procurement.

According to the Private Participation in Infrastructure database of the World Bank, India is second only to China in terms of number of PPP projects and in terms of investments, it is second to Brazil. India has 1,017 PPP projects accounting for an investment of Rs. 486,603 crore (Planning Commission, 2011). The adoption of standardized documents such as model concession agreements and bidding documents for award of PPP projects have streamlined and accelerated decision-making by agencies in a manner that is fair, transparent and competitive. This approach has contributed significantly to the recent strides in rolling out a large number of PPP projects in different sectors.

There are different types of PPPs. Following Zhang and Kumaraswamy (2001), the major types of PPP include:

1. Build-Operate-Transfer (BOT)
2. Design-Build-Operate-Maintain (DBOM)
3. Design-Build-Finance-Operate (DBFO)
4. Build-Own-Operate (BOO)
5. Rehabilitate-Operate-Transfer (ROT)

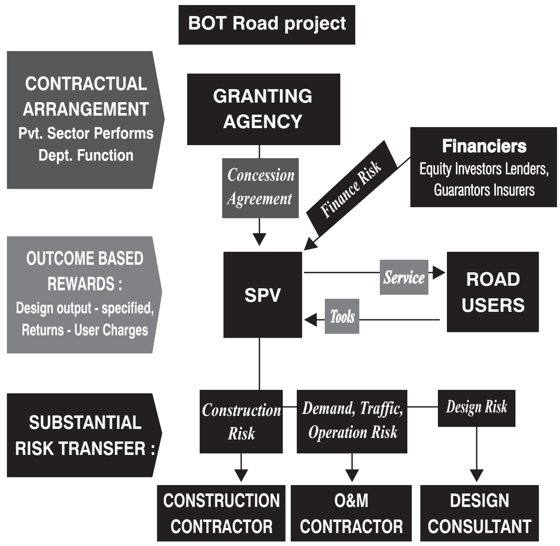


Fig.3: BOT variant structure of Road Projects of NHAI on PPP model

The NHAI has been following different models over the years. With consultancy services from CRISIL (2008), it has recently developed a BOT variant structure - Annuity model, depicted in Fig.3.

In any type of PPP road projects, there are different stakeholders, facing different risks, as elucidated in Table 1. Allocation and management of stakeholders' risks is an important factor for success of the PPP model infrastructure projects (Yin et al, 2006). Moreover, government's role in regulation, ensuring appropriate property rights, and in dispute resolution remains essential particularly when the private sector is involved in infrastructure. Given the fiscal stringency, financing methods therefore need to be more complex, requiring financial engineering and legal skills not normally found in government bureaucracies. It is also essential to take into account total financing costs over the whole project cycle, including any contingent liabilities arising from government guarantees for infrastructure projects. Fig.4 illustrates the cause and effect relationship of risks involved in the whole project cycle of a typical road project in India.

Table 1: Stakeholders' risks in PPP model highway projects in India

Stakeholders	Risks involved
Government	Service delivery - road getting developed in time; quality of service- riding quality
Private	Adequate Return on Investment (RoI) -
Developers	Project development within cost, no time overruns, profit generation as expected

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Lenders	Return of principal and interest – project getting adequate returns, no default by developer
Public/ Users	Cost effective service, desirable service levels, access to non-tolled alternative routes
Public/ Project affected Parties	Fair rehabilitation and resettlement assistance/compensation
Civic Society	Environment risk- air / noise pollution, excessive falling of trees

Fig.4: Project Development Cycle and the associated risks.

Inception Planning	Project Preparation	Procure-ment	Development & Construction	Operation
Uncoordinated projects insufficient linkages demand not certain •Cause •Effect	•Inadequate feasibility studies •Nebulous specifications •Developer seeks concessions	•Poor process •Un-bankable projects •Speculative bids •In-capable developers	•Multiple interface •Poor monitoring •Sub-standard quality •Delayed completion •Cost escalations	•Low demand •Tariff dispute •Inadequate service levels •Disputes •Unviable projects •Investors lose interest •User agitation

BENEFITS

There are many social and economic benefits of highway projects:

i) As a result of the improved road system, industrialization and other economic activities are spread more evenly throughout the country (distributive effect) and more entrepreneurs may prefer to establish their business or production in areas with lower prices of land and with access to an available workforce. This in turn brings in prosperity to rural areas.

ii) Development emerges along the roads in terms of vehicle repair workshops, restaurants, hotels, etc. These businesses are known to give spin off in terms of petty trade gradually developing into larger businesses. The projects establish contacts with government departments in charge with planning and development activities, leading to provision of a number of social and welfare programmes like safe drinking water and sanitation, electricity, etc.

iii) The improved roads would reduce Vehicle Operating Cost (VOC), as the vehicles will be able to travel at a faster speed, which in turn would reduce time, transport cost and the wear and tear of the vehicles. Timely and effective delivery of both goods and passengers will increase effectiveness of agriculture, trade, etc.

iv) Increase in employment opportunities (direct and indirect, permanent and temporary, as well as for short and long term), access to various amenities, increase in business opportunities, improved traffic safety, increase in availability of passenger transport services, etc.

WEAKNESSES

Along with the above mentioned benefits brought by the NHAI projects, certain negative social impacts are inherent with any developmental project. The negative impacts are:

- Loss of private immovable properties, including agriculture land, residences, homestead, shops, trees, wells, etc;
- Loss of source of livelihood to some people.

These are unavoidable, though such impacts can be minimized by close co-ordination between social, economic, environment and engineering aspects of the project.

Evaluation of NHAI Projects

A study of assessment reports of the PPP mode highway projects of NHAI by different panels/ authors indicate the following lacunae (Boeing, et al 2006, Haldea and Mohanty, 2003; Rakshit, 2006; NHDP, 2006):

- In most of the cases, no benchmark against which estimated project costs of bidders were judged, thus hindering choices to gain efficiency and cost effectiveness;
- NHAI loan and equity have created future contingent liabilities;
- Uniform pricing policy instead of appropriate price discovery;
- High exposure of private bidder to development risk and traffic revenue risk – disincentive for private investors in BOT;
- No reputation risk for private bidder creating potential moral hazard;
- Complex contractual network consisting of many agreements, making coordination and control difficult;
- Contract agreement and financial statement provide limited information about the effect of the project on fiscal balance and public debt.

CONCLUSION

The above discussion thus leads to the conclusion that the role of the government in financing and regulating infrastructure sector cannot be underestimated. The economic consequences of government provisions of goods and services should be taken into account while devising policies for financing infrastructure projects, especially through PPP model. Although there are risks, benefits and weaknesses in financing of infrastructure projects through PPP mode, there seems to be no escape in today's globalised economy and rapid technological changes. There is no blueprint applicable to all countries or to all types of infrastructure. As in other areas of public policy, professional skills, attention to details of design, planning, implementation, and regulation, and quality of market supporting institutions remain critical ingredients for success of such PPP projects. The importance of understanding and then taking actions to mitigate political and regulatory risks in the infrastructure sector, addressing principal-agent and moral hazard problems, ensuring effective competition, and taking into account demand side considerations should not be underestimated. Planning Commission of India has already come up with some suggestions to improve the sector. "Institutional and organizational changes in some of the apex agencies involved in laying out the transportation network are also necessary. The process of corporatization of ports, restructuring of National Highways Authority of India (NHAI) and the setting up the National Expressway Authority, form part of this process" (Planning Commission, 2011). The unconventional sources of revenue generation need to be explored to supplement the government exchequer for higher spending on infrastructure. The fiscal system should also take into account both the income statement and balance sheet effects, as well as should explicitly address the issues of contingent liabilities of the country. Finally, infrastructure reforms are necessary to attract, retain and encourage private investment in infrastructure, which is essential for sustainable economic development.

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A STUDY OF OCCUPATIONAL STRESS IN THE INDIAN ARMY

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ABSTRACT

The present study identifies various organisational stressors amounting to occupational stress in the Indian Army. A sample of 50 soldiers from the unit of the Indian Army was studied using structured schedule. The findings of the study reveal 'lack of control at work' is the most stress producing organisational factor, followed by 'workload and job pressure' and' inadequate awareness about profession'. Further, 'ineffective leadership style', 'indifferent organisational attitude', 'insensitive attitude of seniors', 'inadequate awareness about profession', 'unsupportive colleagues' and 'workload and job pressure' to be associated with occupational stress. Limitations and implications of the study are have also been summarised at the end of the paper.

Keywords: *Stress, Occupation, Soldiers*

INTRODUCTION

The burning issue of stress in the Indian Army has been highlighted by the suicidal and fratricidal cases since last one decade. Though the rate of such incidents got lowered down in the previous year (Pubby, 2010), yet the spate of such cases in the past few years increased (Singh, 2007) and is still increasing. Indian Army protects the nation from external and internal aggression and has always proved itself in the times of crises and wars. Owing to the ongoing proxy war with the neighbouring country, a physically and psychologically healthy armed workforce is indispensable in the present scenario, and thus this calls for the management of occupational stress in the Indian Army. The first step towards stress management is to identify the sources (stressors) from which occupational stress arises. Infact, stressor can be anything that causes stress (Ahmadi and Alireza, 2006). It is in this context that after identification efforts need be made to either eliminate or reduce these stressors. Till date many studies have been carried out on different aspects of job stress in different professions, especially on stressors (Singh, 2005; Chandriah et al., 2003; Kang, 2005; Kang & Singh, 2006). Chandriah et al. (2003) identified role overload, role ambiguity, role conflict, unreasonable group and political pressures, powerlessness, intrinsic impoverishment, low status work and strenuous working conditions as sources of stress among different age groups of managers working in different large scale industrial settings. Further, Kang (2005) revealed positive and significant relationship of stress with job stressors, viz., interference of job in personal life, unsupportive colleagues, work overload and continuous pressure for improved performance among medical representatives. In their study, Kelleher & McGilloway (2005) found flight attendants having certain specific aspects of their job potentially more stressful than other public-sector employees, particularly relating to role insufficiency and role boundary subscales.

Singh (2005) in his study examined the relationship of felt role stress with journalistic writing attitude and found journalistic writing attitude of newspaper reporters significantly influenced by role stress felt by them in the form of role ambiguity, role erosion, role overload, role expectation conflict, etc. Further, every kind of role stress is not dysfunctional for the efficiency of employees (Singh, 2005). Moreover, poor interpersonal relations were found to be the most significant factor causing stress, among the employees of the electronic industry, besides poor organisational structure and climate, work inhibitors, lack of resources, inconsiderate superior and role ambiguity (Kang & Singh, 2006). Fiedler et al. (2000) also established (i) home stress being positively associated to job stress and (ii) stable family (partner) support being the most important coping mechanism among the pilots.

With reference to military, Litz et al. (1997) studied Post-traumatic Stress Disorder (PTSD) prevalent in the US military personnel engaged in peacekeeping duty in Somalia and revealed that PTSD symptoms severity was best predicted by the reward of military service, war zone stress and frustration with peacekeeping duty. Further, a study on military men and women by Bray et al. (2001) examined the relationship of job functioning to stress, symptoms of depression, substance abuse and coping style and found that high stress levels experienced by both men and women in their military work negatively affected their performance at work, which inturn had an adverse impact on their stress, depression, substance use and coping styles.

Yet another study by Pflanz (2001) on US military personnel affirmed that occupational stress had a strong negative effect on the mental health of soldiers and that generic work stressors experienced by them were more stressful than military-specific stressors. Additionally, Ahmadi and Alireza

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(2006) focused on the relationship between stress and job satisfaction among Air-force military pilots and found that life stress and organisational stress were the highest sources of stress for the pilots among life stress, organisational stress, flight environmental stress and task-based stress.

Most of the literature reviewed studied stress in different professions. The studies regarding military stress have been carried out in the western countries (Litz et al., 1997; Pflanz, 2001; Bray et al., 2001; Ahmadi and Alireza, 2006) and there is hardly any empirical study available on this issue in the Indian Army, except for those done solely for defence institutions. Thus, the present empirical study aims at filling up this gap by providing information regarding the organisational factors causing job stress among Army personnel. Therefore, the present study aims at identifying various organisational stressors resulting in occupational stress among Indian soldiers and studying the relationship between these stressors and job stress. Hence, we hypothesise that:

H01: There are various organisational stressors resulting in occupational stress in the Indian Army.

H02: There exists a significant and positive relationship between organisational stressors and Army occupational stress.

RESEARCH METHODS

Participants

The data were collected from 50 active duty Army personnel working in sensitive area, safeguarding the most troubled part of the country from which the increased suicides and fratricidal cases in India have been reported in the recent past (Singh, 2007). The area of research for the present study is thus quite convincing and justifiable.

Measures

Structured schedules were used to collect data from the soldiers. The scale used for measuring organisational stressors comprised of 50 items, primarily borrowed from Baty (2002), which resulted into eight meaningful factors with 28 items after data purification. All the items were based on 5 point Likert scale ranging from 'Strongly Disagree' (1) to 'Strongly Agree' (5) (1□**-----**□**5),** which were later changed to no stress (1), mild stress (2), normal stress (3), moderately severe stress (4) and severe stress (5). The measure was found to be internally consistent (Cronbach's alpha=0.90).

Results and Discussion

For the purpose of reducing and purifying the data, factor analysis was applied on 49 items of occupational stress (excluding the overall master statement, viz., 'I experience stress in my job'), with principal component extraction and varimax rotation method, using SPSS 16.0. All the items with factor loading and communalities above 0.50 and eigen value equal to or above one were retained. Finally, the purified data resulted in 28 items clubbed under eight factors, viz., 'insensitive attitude of seniors', 'ineffective leadership style', 'unsupportive colleagues', 'indifferent organisational attitude', 'inadequate awareness about profession', 'workload and job pressure', 'lack of control at work' and 'role ambiguity'. For the purpose of maintaining internal consistency, factors with value of Cronbach's alpha below 0.60 were ignored. Factor-wise analysis is as under (Table 1):

F1: Insensitive attitude of seniors

The first factor emerging out of factor analysis, viz., 'insensitive attitude of seniors' obtained variance explained of 62.50%, KMO value of 0.83 and overall mean score of 1.65 respectively, implying thereby that soldiers are not stressed due to insensitive and uneasy behaviour/attitude of their seniors. Moreover, stress felt on account of all the variables under this factor was also below average level.

F2: Ineffective Leadership style

The second factor obtained through data purification received variance explained of63.96, KMO value of 0.67 and a low overall mean value of 2.18. However, the variable, viz., 'uncomfortable management/leadership style' with a mean value of 2.64 signifies that soldiers do feel stressed because of an uneasy managing approach of their seniors. This is true, since seniors are a great source of help and support for the jawans and if there is disharmony between the seniors and juniors, the same source of support can turn into a source of stress.

F3: Unsupportive colleagues

Relationship with colleagues can be a source of stress for the soldiers, since they are required to work in teams. This factor acquired variance explained and KMO statistics of 63.26% and 0.65, respectively. The overall mean score (1.55) of this factor illustrate that Indian soldiers are satisfied with their co-workers and don't feel stressed because of this job aspect. Besides, the individual mean scores of the variables under this factor also reveal the same.

F4: Indifferent organisational attitude

The organisational climate in which an individual works influences his attitude, behaviour and performance at work. A positive organisational climate inculcates positivity among employees and vice-versa. The factor, viz., 'indifferent organisational attitude' secured 81.26% variance explained and KMO value above 0.50. The overall mean score (2.32) of this factor depicts mild stress on account of this factor whereas the variable covered under this factor, i.e., 'insincere implementation of dignity-related policies' disclosed normal stress due to non-compliance with dignity- related policies in the Army.

F5: Inadequate awareness about profession

This factor with 65.85% variance explained and KMO statistics of 0.79, received an overall mean score of 2.60, thus divulging that being inadequately aware about one's profession, especially about 'stress preventing assistance available by Army' (mean=3.34) and 'dignity-related policies' (mean=3.20), makes soldiers distressed. This result is obvious for the reason that if a person is unaware about his rights in case his dignity is being hurt at workplace, he is bound to feel stressed.

F6: Workload and job pressure

Principal Component Analysis produced another independent factor, i.e., 'workload and job pressure' with variance explained equals to 57.55% and KMO value of 0.60. This factor is found to generate above average or normal stress among jawans (overall mean=3.05). Table 1 demonstrates that both 'pressure felt due to workload' and 'too many or too complicated tasks' with identical means (3.16) result in distress among army people. Further, 'complex tasks affecting well-being' (2.82) also amounts to distress. It indicates that workload in the Indian Army is definitely a cause of concern for the soldiers.

F7: Lack of Control at work

This factor emerged with 61.77% variance explained, KMO value of 0.67 and an overall mean of 3.17, highlighting that lack of autonomy is the highest stress creating source for the Indian soldiers. Further, all its variables appeared to contribute towards their factor with high mean scores, with 'inflexible working hours' (3.38) producing more stress than other two variables. In line with this result, White, Connor and Garrett (1997) found inflexible working arrangements as a critical factor in the decision of several women doctors to leave hospital medicine.

F8: Role ambiguity

Role ambiguity is found to be positively related with job stress as reflected by many studies (Singh, 2005; Chandriah et al., 2003; Kang & Singh, 2006). Factor analysis has revealed 'role ambiguity' as a factor of job stress with variance explained and KMO value amounting to 61.79 and 0.62 respectively. Further, the overall mean score came to be 1.23, which means soldiers do not perceive their roles as ambiguous. Moreover, none of its variables is able to influence job stress (Table 1).

Thus, the first hypothesis regarding identification of organisational stressors was tested through factor analysis, which led to the emergence of eight independent factors, viz., 'insensitive attitude of seniors', 'ineffective leadership style', 'unsupportive colleagues', 'indifferent organisational attitude', 'inadequate awareness about profession', 'workload and job pressure', 'lack of control at work' and 'role ambiguity' (H01).

To test the second hypothesis, product-moment correlation was applied. The results highlighted a positive and significant correlation between occupational stress and six organisational stressors, viz, 'ineffective leadership style' (0.58), 'indifferent organisational attitude' (0.57), 'insensitive attitude of seniors' (0.36), 'inadequate awareness about profession' (0.33), 'unsupportive colleagues' (0.31) and 'workload and job pressure' (0.30). However, occupational stress was not significantly associated to 'lack of control at work' and 'role ambiguity' for the present sample ($p>0.05$). Thus, this hypothesis stands partially accepted (H02).

The results of the study suggest that out of eight factors identified, only six are producing stress among Indian soldiers. Moreover, factor analysis highlights that 'lack of control at work', 'workload and job pressure' and 'inadequate awareness about profession' with their overall high mean values are generating distress in the Army. Thus, in order to manage stress in the Indian Army attention should be diverted towards controlling these organisational stressors.

Besides this, the study provides certain implications. Firstly, Sahaja Yoga meditation should be initiated in the Army and practiced twice a day for 10-15 minutes prior to physical exercises in order to elevate psychological fitness of the soldiers. Secondly, stress management programmes should be conducted at least twice a year and soldiers at every level should be provided a chance to attend them. Thirdly, some sort of flexibility should be provided in the strict working schedules to be followed by soldiers, keeping in view their rest time, health issues and personal obligations to be fulfilled by them. This would help in reducing their workload and increasing their productivity level. Fourthly, regular sessions educating the soldiers regarding basic knowledge about their profession should be held once in a week and soldiers should be rotated in the sessions in such a way that each soldier attends atleast one such session in every six months.

LIMITATIONS AND FUTURE RESEARCH

The present research work has few limitations. Firstly, the results of the study cannot be generalised to the whole of Indian Army because of its small sample size, thus a study with large representative sample would provide a clear picture of the actual perceptions of the Indian soldiers. Secondly, the sensitive nature of research might have led to low scores of stressors, which are rather surprising owing to the suicidal and fratricidal incidents in the Indian Army. Moreover, there is a stigma attached to the soldiers in disclosing their actual stress levels, which might have affected the results. This limitation of the study can be conquered by a future research based on a combination of quantitative and qualitative data collection methods, which would help in understanding the true emotions and problems of the soldiers. Lastly, the study being cross-sectional cannot be generalised to other occupations.

Factors	Items	Mean	S.D.	Factor Loading	Comm.	V.E. (%)	Cronbach's alpha
F1 Insensitive attitude of seniors	Inability to give open/free feedback about work concerns	1.36	.768	.823	.677	62.50	.86
	Unable to feedback freely if uncertain about my role	1.34	.790	.812	.659		
	Non-appreciation of efforts	1.44	1.44	.804	.647		
	Lack of encouragement to raise concerns about work stress	2.02	1.27	.799	.638		
	Lack of encouragement for maintaining healthy work-life balance	1.84	1.84	.785	.616		
	Unfree to talk about work and/or home issues	1.90	1.90	.715	.512		
F2 Ineffective leadership style	Incompetent officers	1.80	1.02	.830	.689	63.96	.69
	Uncomfortable management/leadership style	2.10	1.19	.811	.658		
	Non-availability of constructive feedback by seniors	2.64	1.57	.756	.572		
F3 Unsupportive colleagues	Inability to talk openly	1.70	1.09	.837	.701	63.26	.62
	Unhelping co-workers	1.18	.39	.826	.682		
	Unhappy working relationships	1.76	1.00	.718	.516		
F4 Indifferent organizational attitude	Insincere implementation of dignity related policies	2.64	1.47	.901	.813	81.26	.76
	Lack of emotional and practical support	2.00	1.20	.901	.813		
F5 Inadequate awareness about profession	Inadequate awareness about dignity-related policies	3.20	1.76	.891	.793	65.85	.86
	Unclear understanding of the vision, strategies and objectives	1.72	.927	.802	.644		
	Unawareness about Army's rules and regulations	2.34	1.15	.793	.629		
	Inadequate awareness about stress preventing assistance available by Army health department	3.34	1.39	.792	.628		
	Inadequate awareness about powers if harassed at work	2.32	1.22	.774	.598		
F6 Workload & Job pressure	Pressure felt due to workload	3.16	1.60	.839	.704	57.55	.63
	Too many or too complicated tasks	3.16	1.42	.740	.547		
	Complex tasks affecting well-being	2.82	1.59	.689	.500		
F7 Lack of control at work	Unable to plan my workload	2.98	1.75	.803	.645	61.77	.69
	Insufficient authority over techniques and timing of work	3.16	1.70	.793	.629		
	Inflexible working hours	3.38	1.80	.761	.580		
F8 Role ambiguity	Unclear about others' expectations	1.38	.846	.892	.795	61.79	.61
	Ill-defined role and scope	1.18	.384	.892	.795		

Abbreviations: S.D.-standard deviation, Comm.-communalities, V.E-variance explained

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EFFECTIVE LEADERSHIP STYLES AND ORGANISATIONAL EFFECTIVENESS - A CROSS EXAMINATION WITH CHIEF EXECUTIVES AND EXECUTIVES OF PUBLIC SECTOR ENTERPRISES

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ABSTRACT

Despite leadership being central to the success or failure of an organisation, and various theories and models being advanced for developing new ideas about the leadership phenomenon, a leadership paradigm for guiding, directing and transforming the Indian public sector enterprises to better meet the contemporary challenges is yet to emerge. For this reason, this paper attempts to provide the knowledge on the role of leadership styles in the effectiveness of select public enterprises, namely, Hindustan Lever Ltd (HLL), Chennai Petroleum Corporation Ltd. (CPCL) and Bharat Heavy Electricals Ltd. (BHEL). A sample of 198 respondents was selected from the chief executives and the executives' level from the selected enterprises. Both quantitative data like Annual Reports, ratios and qualitative data, data collected through questionnaire were employed in this study. The statistical tools like anova, coefficients of correlations, multiple regressions and beta coefficients were used to analyse the data set. The results likely to suggest that the chief executives and the executives of the sample firm prefer to adapt a combination of three prominent leadership patterns viz., authoritarian, bureaucratic and nurturant task; hence their leadership styles have been rated as non participative formal task. Implications for the findings of the current study and directions for future research are discussed in the paper.

Keywords: *Effective Leadership, Organizational Effectiveness, Public sector enterprises and Beta Coefficients.*

INTRODUCTION

In the new century, the organisations to be successful, must critically evaluate and follow all the changes in the environment in a continuous manner. But implementation and management of these changes are very risky that it sometimes places the organisations in problems. To be successful in these issues, organisational effectiveness is said to be important. Organisational effectiveness has been considered as a unifying theme for more than a century of research in the management and design of organisations, yet no universal theory has been developed (Lewin and Minton, 1986). It is a term that is complicated, controversial, and difficult to conceptualise (Chelladurai, 1987). Organisational effectiveness is ambiguous in conceptualisation and difficult to measure, due to the fact that it involves multiple dimensions, for example goals, processes, and resources (Chelladurai & Haggerty, 1991). To date, the multiple constituency models, in creating a synthesis of the earlier goal approach, process approach, and system resource approach, appears to best represent the multiplicity of organisational effectiveness.

However one of the important attributes that are found to measure the organisational effectiveness is the leadership studies. Several efforts have been made to study the relationship between leadership and organisational effectiveness. In an article, Weese (1994) pointed out that many who studied leadership have found "convincing evidence" for leadership's importance to the "success and survival" of the organisations. However there is controversy as to whether the leadership has a positive impact on organisational effectiveness or not. For example, Weese's (1996) study of the relationships among transformational leadership, organisational culture, and organisational effectiveness showed no significant relationship between transformational leadership and organisational effectiveness. Similarly, Lim and Cromartie (2001) found that the leadership is not to relate significantly to organisational effectiveness. They suggest that subordinates play an important role in an organisation's effectiveness.

As such this piece of research has been attempted to empirically prove as to whether there is any relationship between leadership styles and organisational effectiveness in the selected public enterprises or not. The purpose of this study is of three fold. First this study aims at examining the impact of the selected leadership styles on the organisational effectiveness of the selected public sector enterprises. Secondly, the study aims at analysing the various leadership styles desired by the public sector enterprise; and finally the study aims at examining the measure of organisational effectiveness of selected public sector enterprises with certain quantitative indicators.

This piece of research has three main parts. In the first part, the theory, explanation of the variables, and their relationships, leading to various hypotheses were explained.

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The second part of the paper consisted of methodology, which describes the participants in the study, the measures used and the statistical methods applied. The last part succinctly explains the results, discussion of the findings and the conclusions drawn from the analysis.

THEORY AND HYPOTHESES

Predicting Effective Leadership Styles

Leadership research has been extended by numerous research studies over the past few decades (Burns, 1978; Bass, 1985). Early researches advanced the concept of leadership as an influence on individual motivation and rewards. An effective leader shows concern for individuals, motivating workers through delegation, involvement and a personal concern for well-being (Herzberg, Mausner, & Snyderman, 1959; House & Mitchell, 1974). The emphasis in the early leadership research was to focus on the individual as opposed to group goal attainment (Yukl, 1989; Wang, 2001). In the recent years, the leaders who can espouse a clear vision for the organisation, who can develop this vision, and identify tasks necessary to accomplish the vision with their followers, and who can continue to address the personal concerns of the individuals are generally viewed as effective (Howell & Avolio, 1993). Leaders help followers to deal with the challenges confronting them and respond to the upcoming challenges (Bass & Avolio, 1994; Yukl, 1998). They can build relationships, share in decision making processes, communicate effectively, and even influence the attitudes and behaviors of their followers (Mackenzie, Podsakoff, & Rich, 2000; Judge, Thoresen & Pucik, 1999). Leaders can stimulate followers' creativity and provide solutions to complex problems. The ideas and directions would help followers to be responsible for the work assigned to them by their leaders (Bennis, 2001). Leaders affect followers' job satisfaction and performance, and fundamentally make a difference as to whether organisations are effective or ineffective (Hogan, Curphy & Hogan, 1994). Thus leadership is considered to be the crux of organisational effectiveness. But it is a wide area that changes from place to place and situation to situations. For example, Ganguli (1964) has conducted a study in a state owned engineering company on leadership behavior. He reported that top management executives are relatively authoritarian in their style of functioning. Contrary to his views, Elahance and Agarwal (1973) have concluded that more than fifty per cent of the executives in public sector have employed democratic leadership style in their study on leadership behavior of managers from two public and two private sector enterprises. Singh and Das (1977), in their study on 280 managers from two public sector and four private sector companies have found that in the public enterprises, bureaucratic leadership styles have been adopted followed by developer, compromiser and autocratic. Maheswari (1977) in a study of decision making styles in six public sector enterprises found that neither participative nor entrepreneurial style was correlated with index of profit or growth. Jain (1982) highlighted the importance of developing supervisors and emphasised the role of supervision in the efficiency, productivity and morale of the employees. In another study by Sharma and Sunderarajan (1983) in 21 public sector enterprises, they found that supervisory relations are poor. In addition, the organisational climate, recognition, training and education and participative management were poor. Kapila (1987) conducted a study in a large public sector steel company selecting 629 mangers as sample found that autocratic style is the most prominent among work division managers. The other styles like deserter, executive and the developers are the dominant styles. Finally, he concluded that the leadership styles of executives varied with the managerial hierarchy. Hence, it is expected that there may be differences in the choice of leadership styles among the Chief Executives and Executives from the selected enterprises also. These theoretical and empirical imperatives provide a basis for the hypothesis one.

H_{01} = There are significant differences in the leadership styles as perceived by the Chief Executives and the Executives in the selected public sector enterprises.

Relationship between Leadership styles and Organisational Effectiveness

As early as 1939, a study by Lewin, Lippit and White (1939) has demonstrated a positive relationship between leadership styles and quantity of output, turnover and quality of decision making. Studies conducted by Katz, Maccoby and Morse (1950), Chatterjee (1961), Sinha (1976) and Jain (1982) have demonstrated a relationship between leadership styles and productivity clearly. However, divergent evidences were shown by Pelz (1956) projecting a negative correlation between leadership styles and productivity. Broadhrust (1969) had reported a positive relationship between leadership styles and quality of job, whereas Jain found a relationship between leadership styles and efficiency of production.

Butterfield and Powell (1981) have revealed relationship between leadership styles and group performance. On the other hand, relationship between leadership styles and employee satisfaction was provided by Mullen (1965) and Stogdill (1974). Relationship between leadership and motivation was reported by Beer (1964) and Broadhrust (1969), and relationship between leadership styles and morale was reported by Wechsler, Kahane and Tannenbaum (1956). All these shows that there are some relationships between leadership styles and organisational effectiveness and this relationship is examined in hypotheses two.

H_{02} = There is some degree of influence in the leadership styles of the Executives on the organisational effectiveness in the selected public enterprises.

METHODOLOGY

Participants and Site

The study was conducted by selecting three public sector enterprises, Hindustan Lever Limited (HLL) - Pondicherry, Chennai Petroleum Corporation Ltd. (CPCL) - Chennai and Bharat Heavy Electricals Ltd. (BHEL) from Trichy. These sample units were taken on the following three criteria: first reason was that the structure of the selected organisations were likely to be similar, though, the nature of it were different. Secondly, the organisations were from entirely different locations – Pondicherry (Union territory); Chennai (Metropolitan city) and Trichy (District). Thirdly, these units were taken from entirely different industries. Due to time and cost constraints, only three industrial units were considered. A sample of 220 executives was drawn randomly and was issued the self structured questionnaire out of which only 198 respondents returned back the filled-in questionnaire. 81 respondents were Chief Executives level (18, 27 and 36 from HLL, CPCL and BHEL respectively) and one hundred and seventeen respondents were from Executives level (23 from HLL, 46 from CPCL and 48 from BHEL).

Procedure

The study was based on both the primary and secondary data. The Human Resource Manager was approached by the researcher as to get permission for collecting the data. A formal letter was given with regard to this, which was then passed to the Managing Director for approval. After getting the permission, the researcher was allowed to collect the relevant data by way of interview schedules. Additionally, the annual reports of the selected enterprises have also been extensively used for collecting the data regarding the Return on Investment, Profitability, Cost of production etc.

Measures

The survey instrument consisted of 60 questions and it was divided into three main parts. The first part of it contains seven questions that captured demographic variables. Second part of the questionnaire consisted of the various aspects of the leadership behaviour. This part consisted of 21 questions that ranged from Always to Never. The next part of the questionnaire consisted of 32 questions that dealt with the organisational effectiveness. The scaling for this measure ranged from Very High to Very Low. For both these measure five point scaling technique was used. The first part and the third part of the questionnaire were common for both the Chief Executives and Executives whereas the second part of it varies slightly for the different cadres.

Leadership Styles

The various leadership styles that were considered in this study were contained in the second part of the questionnaire. This includes:

Authoritarian Leadership –

These types of leader makes all decisions by themselves and directs the followers to do without questioning. They generally believe in 'centralisation of power and authority'.

Democratic Leadership –

They always consult with their subordinates for decision making and places a high degree of confidence with their followers.

Task-oriented Leadership –

A task-oriented leader emphasises high performance and achievement of targets.

Consideration oriented Leadership –

They place a high degree of care towards their followers and are interested in the welfare of their subordinates.

Bureaucratic Leadership –

One who emphasises on strict rules and regulations.

Entrepreneurial Leadership –

Places a less emphasise on rules and more emphasise on performance.

Nurturant Task Leadership –

These types of leaders directs and motivates the employee to be committed to goals and realisation of tasks.

Three set of questions were provided for each styles of leadership thus contributing 21 questions on the total. The scoring ranges from 5 for 'Always' to 1 for 'Never' for all leadership styles. For Authoritarian leadership alone the reverse scoring was given.

ORGANISATIONAL EFFECTIVENESS

Organisational Effectiveness was contained in the third part of the questionnaire and there were 32 questions in it. Two sets of indicators were in it. Set I indicators measures the quantum of production, costs that are associated with it, acquisition and utilisation of resources, profitability of the firm, return on investments and other variables that relate to how far the executives are well prepared in meeting the organisational goals. The Set II indicators relate to the factors that reflects how far the executives and chief executives are well prepared to meet their own day-to-day challenges. It consisted of work motivation, managerial morale, job satisfaction, commitment, creativity, managerial absenteeism, turnover, public image, growth, stability and long run survival. The scale for this part ranges from 1 for "Very Low" to 5 for "Very High".

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TOOLS OF ANALYSIS

Accounting ratios and percentages were computed while analysing the quantitative data gathered from the Annual reports of the enterprises. The qualitative data that were collected by way of questionnaire/Interview was analysed with the statistical techniques like mean, standard deviation, two way Anova, correlation and regression.

Certain advanced statistical tools such as coefficient of determination (R2) and beta coefficient have also been used to draw the logical, meaningful conclusions.

RESULTS

Table 1 gives a clear picture on the mean, standard deviation and F-ratios of chief executives' and executives' leadership styles of the selected public sector enterprises. The content of the table revealed that the chief executives of the public sector enterprises preferred to adopt considerate leadership style (mean score being 3.80) followed by democratic and entrepreneurial leadership styles (the mean scores being 3.75 and 3.71 respectively). The executives' mean score reveal that they prefer entrepreneurial style (mean score being 4.08) followed by considerate and democratic leadership styles (mean score being 4.03 for both).

Table 1 – Mean, Standard Deviations and F-ratios of Chief Executives' and Executives' Leadership Styles (n=198)

Leadership styles	Chief Executives		Executives		F-Ratios
	Mean	SD	Mean	SD	
Authoritarian	2.30	0.37	2.25	0.31	0.09
Democratic	3.75	0.40	4.03	0.42	0.17
Task oriented	2.25	0.39	2.24	0.59	0.07
Considerative	3.80	0.38	4.03	0.41	0.04
Bureaucratic	2.21	0.44	2.29	0.45	0.01
Entrepreneurial	3.71	0.39	4.08	0.36	0.10
Nurturant Task	2.20	0.43	2.14	0.43	0.08

All 'F' ratios are not significant both at 0.05 and 0.01 level of significance

The two-way ANOVA analysis of the chief executives' and executives' responses shows that all the 'F' ratios are insignificant. The results of the study thus show that there are no differences in the choice of leadership styles between chief executives and the executives of select public sector enterprises.

Table 2 presents the mean, standard deviation, coefficients of correlation, multiple regression and beta coefficients on organisational effectiveness (set I indicators). The index of productivity is 3.06. The mean score for quantity of production (2.97) is below the average score, whereas, the mean score for quality of production (3.14) and efficiency in production (3.06) are slightly above the average score.

Table 2 - Mean, Standard Deviations, Coefficients of Correlation, Multiple Regression and Beta Coefficients of Organizational Effectiveness: SET I Indicators

Organizational Effectiveness	Mean	SD	A	D	T	C	B	E	NT	R	R^2
Quantity of Production	2.97	0.84	- (.9296)	0.11 (-.8028)	-0.1	0.14 (.8623)	-0.14 (-.4963)	0.14	0.16 (-.7473)	0.26	0.07
Quality of Production	3.14	0.80	-0.14	0.19 (-.7781)	-0.14	0.21 (.9541)	-	0.18	0.23	0.25	0.06
Efficiency in production	3.06	0.91	-	0.15	- (1.0341)	0.16	-	0.13	0.2	-.27	0.07
Productivity of resources	3.00	0.97	-	-	- (0.6002)	-	-	-	- (-.8614)	-	-
Acquisition of resources	3.05	0.92	- (0.8114)	0.17	-	0.2	-	0.2	0.2 (-.6309)	-.29	0.08
Utilization of resources	3.12	0.92	- (.8841)	- (-1.2372)	-	-	-	-	0.12 (-.7174)	0.3	0.09
Profitability	2.29	0.95	- (.7688)	- (-1.0326)	- (1.5263)	- (-.4184)	- (.9830)	-	-	-	-
Returns on investment	2.26	0.99	- (1.0014)	0.11	- (.8304)	0.14	-	0.14	0.13	-.29	0.08
Anticipating & meeting problems	3.18	0.86	-	0.17 (.6096)	-	0.2 (1.4710)	0.12 (-.3228)	0.18	0.18	-.27	0.07
Anticipating & adapting to changes	2.74	0.97	-	- (-.9248)	-	0.11 (1.3457)	-	- (-.7782)	0.13	0.26	0.07
Handling emergency situation	3.16	0.94	-0.12 (1.5529)	0.22	-0.15 (.7063)	0.24 (1.5534)	-0.2 (-5966)	0.23	.2 (-1.5299)	0.33	0.11
Flexibility of operations	2.98	0.96	-	0.11	-	0.12	-	-	0.12 (-.7949)	-	-

Figures in brackets indicate Beta Coefficients.

The low mean scores of profitability (2.29) and ROI (2.26) shows that unless clear objectives are laid down for profitability and ROI, these enterprises may not improve their performance. On the contrary, majority of the executives in the selected public enterprises have opined that technological and economic changes markedly influenced the organisational effectiveness followed by legal, social and political changes. At the same time, the mean score for handling emergency situation being 3.16 and flexibility of operations 2.98 reveals that majority of the executives have reported that emergency situations were handled with the given resources; the results show that mostly technical emergencies were given priority. On the whole, the analysis of set I indicators of organisational effectiveness reveal that in the selected public enterprises the organisational effectiveness is moderate.

The results of the coefficients of correlation, multiple regressions and the beta coefficients for the data shows that all participative human affectionate leadership styles have significant positive correlations with the set I indicators. The autocratic leadership style was statistically significant with none of the set I indicators. The Democratic leaders have significant positive correlations with quantity produced (0.11), Quality of production (0.19), efficiency in production (0.13), acquisition of scarce resources (0.17), ROI (0.11), Anticipating and meeting problems (0.17), handling emergency situations (0.22) and flexibility of operations (0.11). The democratic leadership style have proved to be effective and helpful for organisational effectiveness as they have positive significant correlations with most of the set-I indicators. On the other hand, the task oriented leadership styles have proved to be totally ineffective for organisational effectiveness. This style has negative correlations with the quantity (-0.1), Quality (-0.14) and handling emergency situations (-0.15). On the other hand, entrepreneurial type of leadership, considerate and nurturant task leadership styles showed positive associations and considerate leadership style have accounted for a greater variance.

However, beta coefficients showed that authoritarian and considerate leadership styles have contributed for an increase in the production. Also the beta coefficients have revealed that authoritarian leaders are efficient in the acquisition and utilisation of resources. The freedom given by democratic leadership style and the affection shown by nurturant task leadership style could not produce positive influence in anticipating and adapting to environmental changes. With regard to handling emergencies and flexibility too, the results are not encouraging.

The analysis of set I indicators of organisational effectiveness reveals that in the selected public enterprises organisational effectiveness is moderate. Consistent inverse correlations between non participative formal task leadership styles and the criteria of organisational effectiveness on one hand and positive association with participative human affectionate leadership styles on the other brings out the fact that better performance is associated with such characteristics of superior like confidence, trust, free from conflict, ensuring cooperation, Sympathetic attitude, honesty, fairness and willingness to help the subordinates.

Table 3 gives the mean, standard deviation, coefficients of correlation, multiple regression and beta coefficients on organisational effectiveness for set II indicators. The mean score of motivation was 3.10. It can be stated that motivation is caused due to various factors. The mean score of morale is 3.05. The mean score of job satisfaction was 3.07. Psychological commitment was a resultant variable of work motivation, morale and job satisfaction. The overall mean score of psychological commitment was 3.06.

Table 3 - Mean, Standard Deviations, Coefficients of Correlation, Multiple Regression and Beta Coefficients of Organizational Effectiveness: SET II Indicators

Organizational Effectiveness	Mean	SD	A	D	T	C	B	E	NT	R	R^2
Work motivation	3.10	0.51	- (.4256)	0.18	-	0.18 (.6076)	-	0.15	0.17 (-.7764)	0.25	0.06
Managerial morale	3.05	0.37	- (.3814)	0.15 (.3873)	- (.3396)	0.15 (.6656)	-	0.12	0.15 (-.8032)	0.28	0.08
Job satisfaction 3.07	0.39	-	0.18	-	0.18	- (.6423)	0.15	0.18	0.27 (-.6399)	0.07	
Psychological commitment	3.06	0.44	-	0.18 (.3763)	- (.5528)	0.18	- (.5816)	0.15	0.16 (-1.0187)	0.28	0.08
Work group commitment	3.41	0.58	- (.8111)	0.16	-	0.17	-0.11	0.20 (.4055)	0.18 (-.6456)	0.32	0.10
Creativity	2.83	0.89	-0.12	0.20	-0.10 (1.1467)	0.21 (1.2678)	-0.13	0.20	0.23 (-1.0589)	-.30	0.09
Managerial absenteeism	2.26	1.11	-	-	- (-1.6029)	-	- (.8523)	-	-	-	-

Figures in brackets indicate Beta Coefficients.

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Organizational Effectiveness	Mean	SD	A	D	T	C	B	E	NT	R	R^2
Managerial turnover	3.33	1.02	-.14	-	-0.13	-	-0.17 (-.4841)	-	-0.16 (-.9061)	0.24	0.06
Organization stability	3.07	1.07	0.17	0.21 (-1.4297)	-0.15 (1.3393)	0.21 (2.3894)	0.19 (-.6749)	-0.30	0.09	-	-
Long run survival	2.89	1.19	-	0.11	- (1.6679)	0.12 (2.4288)	-	-	0.12 (-1.9266)	0.24	0.06
Public image	2.96	0.66	-	0.16	- (-.6695)	0.19 (.5687)	-0.10 (1.1764)	0.18	0.20	-.29	0.09
Growth	2.85	1.07	-	-	-0.11 (-.8995)	-	-	-	-	-	-

The mean score of managerial absenteeism was 2.26. The managerial turnover has a mean score of 3.33. The mean scores for organisational stability (3.07), long run survival (2.89), public image (2.96) and growth (2.85) revolve around average score. The analysis of frequency of executives' responses showed that majority of executives have perceived that the effectiveness on these dimensions were moderate.

Table 3 gives a clear picture about the coefficients of correlation, multiple regression and beta coefficients for set II indicators. An examination of the results shows that all the participative Human affectionate leadership styles exhibited positive association with work motivation, managerial morale, job satisfaction, psychological commitment, work group commitment and public image. The highest overall positive correlation have been shown by the work group commitment (0.32), followed by managerial morale (0.28), psychological commitment (0.28), job satisfaction (0.27) and work motivation (0.25). Though public image has been positively correlated with all the human affectionate leadership style, it exhibit overall negative correlation (-0.29) with all the leadership styles. The variance explained by these leadership styles on various Set II indicators also follows the same order. An examination of the coefficients of correlation shows that there was a significant negative correlation (-0.30) between leadership styles and creativity. The R square value (9%) shows that the variance accounted for by the leadership styles was not much. Hence, it can be concluded that the present managerial team did not lay emphasise for encouraging creativity.

The low level of R2 value for organisational stability and long run survival shows that there can be various other variables which determine and influence stability and long run survival of the selected enterprises. Similarly, none of the leadership styles have shown significant relationship in terms of managerial absenteeism, turnover and growth. Hence it can be considered that the present managerial team cannot help to reduce the absenteeism or to increase the turnover and growth of the selected enterprises. The beta coefficients of set II indicators show that the considerate leadership styles have positively influenced the organisational effectiveness in terms of set II indicators, whereas, the nurturant task leadership styles have negatively influenced the organisational effectiveness. The entire analysis, however, shows that organisational effectiveness assessed in terms of certain psychological concepts have been adversely affected by the conservative, non enterprising, hostile and apathetic attitude of managerial team.

DISCUSSION

Organisational effectiveness has served as a unifying theme for more than a century of research on the management and design of organisations, yet no universal theory has been developed. Leadership can be said to be one of the better ways to attain the organisational effectiveness in an efficient way. Thus the main purpose of the paper is to find out the relationship between the effective leadership and organisational effectiveness.

The results of the study indicated that the chief executives and the executives of the selected public sector enterprises preferred considerate leadership style, democratic and entrepreneurial leadership styles. Likewise, the F-ratios of the chief executives and the executives of the selected enterprises were not significant and hence it was concluded that there were no significant differences between the chief executives and the executives in the choice of leadership styles in the selected public sector enterprises.

The analysis of set I and Set II indicators of organisational effectiveness reveals that in the selected public enterprises the organisational effectiveness is moderate. Consistent inverse correlations can be seen between non participative formal task oriented leadership styles and the organisational effectiveness on the one hand and positive association with participative human affectionate leadership styles on the other for Set I Indicators.

The beta coefficients of set II indicators show that the considerate leadership styles have positively influenced the organisational effectiveness in terms of set II indicators, whereas, the nurturant task leadership styles have negatively influenced the organisational effectiveness.

On the whole, the chief executives of the selected public enterprises have been found to give importance to the centralisation of decision making and concentrating the decision making and concentrating on immediate results rather than on long run survival of the enterprise. They are likely to adapt a combination of three prominent leadership styles namely, authoritarian, bureaucratic and nurturant task; hence their leadership styles have been rated as non participative formal task. The leadership styles of executive other than chief executives have also been rated as non participative formal task. It is due to the fact that they lay emphasising on rules rather than relationships.

Although this research is adopted with questionnaire investigation and concise questions to the best of one's ability it is still not known whether the respondents can substantially understand the original contextual meaning of the questionnaire to show the results with a true reflection.

CONCLUSION

Leadership is at the heart of effective management. Whether intentional or unintentional, the actions and attitudes of those in positions of authority affect the actions and attitudes of employees. This study has provided compelling evidence for the importance of continuing the efforts to understand the nature of the leadership behaviors-effectiveness connection etc. In this context, the study recommended that the authoritarian, bureaucratic and Nurturant task leaders can improve the effectiveness of the organizations. From the practical point of view, the study has several major managerial contributions. As many organisations have suffered from identifying the best leadership practices for enhancing effectiveness, this study has provided useful guidelines for both organisational performance and follower improvement. From this study, the managerial professionals have an opportunity to resolve the better understanding on their role in the self development and to the development of the organisations in which they work for, especially in the current scenario, which is characterised by increasing challenges and changes. Based on the results of the study, several useful information are given for the managers about the type of leadership which are commonly available in public sector enterprises and the impact of various leadership styles and organisational effectiveness as measured by productivity, turnover, profitability, job satisfaction, morale etc. These inferences can be very well used by the academicians; scholars specialising in the field of leadership and to the managerial professionals to draw up the conclusion as to whether this type of leadership is applicable even to the private enterprises and/or to the combination of both private sector and public sector enterprises.

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UNDERSTANDING RISK AND RISK MANAGEMENT IN INDIAN COMMERCIAL BANKS: A COMPARATIVE STUDY

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ABSTRACT

Risk exposure in banking system has accentuated due to economic liberalization process followed globally. The uncertainty in banking sector has increased because of fierce competition, changing socio-economic patterns and market flexibility. Banks are offering innovative products & initiating steps to computerize their offices to improve speed of their operations so as to provide prompt services to their customers who are becoming highly demanding. Banks have increased not only in size but also in functions which has resulted in varied, large and complex banking activities and in turn risk exposures in banks has increased. All these market developments have caused various types of banking risks which need to be commonly understood across the bank in order to manage banking risk efficiently. This paper is an attempt to identify the factors that contribute to common understanding of risk in banks and to compare that common understanding of risk subsists across public sector and private sector banks in India, the empirical study has been conducted and views of employees of various banks have been tested using statistical tools.

Key words: *Risk, Risk management, Banks*

INTRODUCTION

Risk is a multifaceted concept, understood differently by different people in different situations. Due to its complex definition utmost care and attention is required while dealing with risk in an organization. Understanding of risk have been conceptualized to differ in terms of the various components it comprises, such as outcome, uncertainty, expectations, and potential (e.g. Sitkin and Pablo, 1992), in terms of the various domains across which it is evaluated, for example, financial, physical, business, personal (e.g. Dyer and Sarin, 1982; Schoemaker, 1990; Sitkin and Weingart, 1995), and in terms of its evaluative and informative elements (Vlek and Stallen, 1980). Common understanding of risk is the basic requirement for efficient risk Management system in an organization. Understanding of risk as well as risk management is necessary in financial intermediation activities where managing risk is one of the important activities. Sole determining success factors in an organization are not only the technical development but also the ability to understand risk strategically and also the ability to handle and control risk organizationally (Boston Consulting Group, 2001). In order to realize a risk based management philosophy, the attitude and mindset of the employees need to be changed invariably whereby they must understand that managing risk is critical for success. This implies that there must be exhaustive training, clearly defined structures and responsibilities, as well as positivity to change. In a banking organization, efficient risk management framework requires that Bank staff need to understand the aspect of risk in banking as well as business operations. Banks vary according to type and structure of bank ownerships. Banking Policies and Strategies are framed depending upon the bank ownership. Organizational culture, attitude and behaviors vary according to type of bank ownership i.e. Private-owned banks and state owned banks. This difference leads to different levels of risk- taking behavior and performance of banks and in turn results into varying level of understanding of risk in different types of banks. Internal constituents, analysts, rating agencies, investors and regulators also have varying levels of understanding of risk. Present study is an attempt to find out factors contributing to Understanding of Risk and Risk management in banks and to identify whether Staff of Public and Private Sector banks have common Understand Risk and Risk Management across the bank.

LITERATURE REVIEW

Carey, A. (2001) concluded that risk management is more important in the financial sector than in other parts of the economy. The basis of banking and similar financial institutions is taking risk in conditions of uncertainty and providing a guide to the way in which the various Turnbull ideas have become the bedrock of risk management and suggested how they can be developed. Jayadev (2006) identified a set of actions to improve the quality of internal rating models of Indian banks by analyzing internal credit rating practices of Indian banks. The survey revealed that the components of internal rating systems, their architecture, and operation differ substantially across banks. The range of grades and risks associated with each grade also varied across the banks analyzed which implied that lending decisions may vary across banks. There were differences among the rating systems of various banks.

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Hickson, C. and Turner, J. (1996) Suggested that banks are different due to plasticity of assets and high debt/equity ratios. Hence, banks need to be regulated and they discuss the most efficient method of regulating banks. They also highlighted that the move from unlimited liability banking to limited liability banking was inefficient as it led to a more unstable banking system. The unstable banking system required government monitoring of banks. They further suggested that in order to reduce the costs of monitoring, regulations such as deposit insurance, price and quantity controls and the separation of investment and deposit banking were imposed. They argued that deposit insurance actually has increased banking instability and Suggested that the deregulation process of the last 20 years has led to a more unstable banking system. They argued empirically that bank regulation (apart from deposit insurance) promotes stability rather than creating banking monopolies.

Banerjee and Duflo (2001) have argued that credit rationing on account of risk averseness is not specific to domestic and foreign private banks. Using Indian data, they show that public sector or government owned banks can also exhibit such risk averseness, albeit more on account of the political economy of blame sharing in the event of poor bank performance than profit motives. That is, the behavior of banks in emerging economy credit markets may not be a monotonic function of ownership; credit disbursal by banks in inherently high risk markets may be depend on a host of other factors. Hence, it is worthwhile exploring the credit market behavior of banks in an emerging market context.

Sapienza (2004) found that state ownership of banks affects the lending rate, as state-owned banks subsidize loans, which might be manifest in higher non-performing loans in the future. According to Pausenberger and Nassauer (2000), the dimension of the potential loss has to be quantified. Here, the amount of the potential loss for the corporation and the corresponding probability of occurrence of this risk have to be determined. In practice, it is useful to classify the different risks according to the amount of damage they possibly cause (Fuser et al, 1999). This classification enables the management to divide risks that are enabling to threat the existence of the corporation from those which can only causing slight damages. Coleman, L. (2007) provided a practical explanation of the risk taking behavior of finance executives and confirms that context is more important to decisions than their content. He also explored reasons for decision makers facing choices preferring a risky alternative. He finally identified the risk propensity and quantified it by respondents' attitude towards a risky decision, and also explained decision maker traits using independent variables.

RESEARCH METHODOLOGY

The present study is exploratory research, which is based on non-probability convenience sampling. (judgemental) sampling method Sampling unit : 200 employees of public and private sector banks of Indore division (M.P.)

Sample size : 200

50 respondents from SBI and Associates;

50 respondents from Other Public Sector Banks;

50 respondents from Old Private Sector banks and

50 respondents from New Private Sector Banks.

Tools for data collection

The research instrument used to collect data was based on questionnaire developed by Al-Tamimi and Al-Mazrooei (2007). A questionnaire has been prepared which consist of seven questions representing Understanding Risk and Risk Management and it has been administered on the Banking employees. Respondents were asked to indicate their degree of agreement with each of the questions on a five-point Likert scale.

Tools for data analysis One Way ANOVA, Tukey (HSD) test, Factor Analysis, Kaiser-

Meyer- Olkin (KMO) and Bartlett's test.

The data were analyzed using window based Statistical package of the Social Science (SPSS).

Item Total Correlation

Questionnaire adopted in this study consisted of seven questions. As the sample size was 200, item with correlation value less than 0.1948 should be dropped. All the items in the study had correlation values more than 0.1948 thus; no item was dropped from the questionnaire.

Reliability of the Measures

Reliability of the measures was assessed with the use of Cronbach's alpha on all the seven items. Cronbach's alpha allows us to measure the reliability of different variables. It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltiz et al., 1976). As a general rule, a coefficient greater than or equal to 0.7 is considered acceptable and a good indication of construct reliability (Nunnally, 1978). The Cronbach's alpha for the questionnaire was 0.827. Hence, it was found reliable for further analysis.

OBJECTIVES

1. To compare whether Staff of Public and Private Sector banks have common Understanding of Risk and Risk Management across the bank.
2. To explore the factors contributing to Understanding Risk and Risk management in banks.
3. To open up new vistas of research and develop a base for application of the findings in terms of implications of the study.

HYPOTHESES

H_{01}: There is no correlation among seven variables in the population under study.

H_{02}: There is no significant difference between SBI and Associates, Other Public sector Banks, New Private Sector Banks and Old Private sector Banks in Understanding Risk and Risk Management.

H_{03}: There is no significant difference between SBI and Associates and Other Public sector Banks in Understanding Risk and Risk Management.

H_{04}: There is no significant difference between SBI and Associates and New Private Sector Banks in Understanding Risk and Risk Management.

H_{05}: There is no significant difference between SBI and Associates and Old Private sector Banks in Understanding Risk and Risk Management.

H_{06}: There is no significant difference between Other Public sector Banks and New Private Sector Banks in Understanding Risk and Risk Management.

H_{07}: There is no significant difference between Other Public sector Banks and Old Private Sector Banks in Understanding Risk and Risk Management.

H_{08}: There is no significant difference between Old private sector banks and New Private Sector Banks in Understanding Risk and Risk Management.

RESULTS AND DISCUSSION

To test the correlation among all the variables in the population under study, Kaiser- Meyer- Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity were performed and to test the significance of variance and understand inter-level difference between and within group treatments, the data were treated with F-test analysis

Results of KMO and Bartlett's test of sphericity

As indicated in Table-1, the generated score of KMO was 0.793, reasonably supporting the appropriateness of using factor analysis. The Bartlett's test of sphericity was highly significant ($p<0.01$), rejecting the null hypothesis H01, that the seven variables are uncorrelated in the population. Using Principal components with varimax rotation only attributes with factor loadings of 0.5 or greater on a factor were regarded as significant. The factor analysis generated two factors explaining 64.87% of the variability in the original data.

Table-1: Result of the KMO and Bartlett's test for Understanding Risk and Risk Management

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.793
Bartlett's test of Sphericity	Approx. chi square	508.012
	df	21
	Sig.	0.000

RESULTS OF FACTOR ANALYSIS

Risk Management Policy:

It reflects that bank frames its policies related to risk management after proper feedbacks and reviews and incorporates advanced risk management techniques which are commonly understood across the bank. It is measured by items 6, 5 and 1 as identified in table 3. These items are "This bank emphasize on the continuous review and evaluation of the techniques used in risk management", "My bank's objective is to expand the applications of advanced risk management techniques", and "There is a common understanding of risk management across the bank". Table 2 display that Variable 6 is the strongest and explains 33.22 per cent variance and has total factor load of 0.838.

Risk Management Focus:

It emphasizes the focus of banks towards risk management in its operations and day to day working. It is measured by items 3, 4, 2 and 7 as identified in table 3. These items are "This bank believes that managing risk is important to the performance and success of the bank", "I believe that it is crucial to apply the most sophisticated techniques in risk management", "Responsibility and accountability for risk management is clearly set out and understood throughout the bank" and "My bank believes that applications of risk management techniques reduce costs or expected losses". Table 2 display that Variable 3 is the strongest and explains 64.87 per cent variance and has total factor load of 0.882.

Table 2: Rotated Factor Matrix for Understanding Risk and Risk Management

Var. No.	F1	F2
V1	0.630	
V2		0.597
V3		0.883
V4		0.761
V5	0.773	
V6	0.838	
V7		0.588
Eigen value	3.48	1.06
Cumulative variance	33.22	64.87

Note: F1 and F2 are two derived factors.

Table- 3: Factors of Understanding Risk and Risk Management

	Factor	Item	Item	Item	Item
1	Risk Mgmt. policy	Continuous Review and Evaluation(3.9)	Advanced Risk Management Technique (3.7)	Common Understanding (3.6)	
2	Risk Mgmt. Focus	Importance (3.9)	Sophisticated Techniques (3.7)	Responsibility and Accountability (3.6)	Reduces Cost and Loss (3.7)

The figures in parenthesis represent the average scores for the variables under each Factor that determine Understanding Risk and Risk Management.

RESULTS OF ONE WAY ANOVA

Table 4 depicts that the F value for between groups is 36.275 and p value is .000 therefore, null hypotheses H02 is rejected at 1% level of significance. It means that Understanding Risk and Risk Management in SBI and associates, other public sector banks, Old private sector banks and New Private sector banks significantly differ in their mean values. New Private sector banks and old private sector banks have highest mean values of 204.5, hence have better understanding of risk and risk management. SBI and associates with mean values of 168.5 and Other Nationalized banks with mean value of 169.5 represents that understanding of risk and risk management is comparatively less effective.

Table-4: Results of One Way ANOVA Understanding Risk and Risk Management

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25.053	3	8.351	26.275	.000
Within Groups	62.295	196	0.318		
Total	87.348	199			

** The mean difference is significant at the 0.01 level.*

Table-5 represents that p value in groups 2, 3, 4 and 5 is 0.000, 0.000, 0.000 and 0.000 and this means null hypothesis H_{04}, H_{05}, H_{06} and H_{07} are rejected at 1% significance level and it can be inferred that there is significant difference between Understanding Risk and Risk management of SBI and Associates and New Private Sector Banks; SBI and Associates and Old Private sector Banks; Other Public sector Banks and New Private Sector Banks; Other Public sector Banks. While p values in group 1 and 6 is 0.995 and 1.000 and this means that null hypothesis H03 and H08 are rejected at 1% significance level and it can be inferred that there is no significant difference between Understanding Risk and Risk management of SBI and Associates and Other Public sector Banks; and Old private sector banks and New Private Sector Banks.

Table-5: Post Hoc Test Understanding Risk and Risk Management

	(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
Tukey HSD	SBI	NEW PVT	-0.7234	0.112753	.000	-1.015	-0.431
		PUB	-0.0264	0.112753	.995	-0.318	0.2658
		OLD PVT	-0.7182	0.112753	.000	-1.010	-0.426
	NEW PVT	SBI	0.7234	0.112753	.000	0.4312	1.0156
		PUB	0.697	0.112753	.000	0.4048	0.9892
		OLD PVT	0.0052	0.112753	1.000	-0.287	0.2974
	PUB	SBI	0.0264	0.112753	.995	-0.265	0.3186
		NEW PVT	-0.697	0.112753	.000	-0.989	-0.404
		OLD PVT	-0.691	0.112753	.000	-0.984	-0.399
	OLD PVT	SBI	0.7182	0.112753	.000	0.4260	1.0104
		NEW PVT	-0.005	0.112753	1.000	-0.297	0.2870
		PUB	0.6918	0.112753	.000	0.3996	0.9840

** The mean difference is significant at the .05 level.*

There are conceptual studies made on Understanding Risk and Risk Management in banks of various countries. A study conducted by Boston Consulting Group (2001) found that the sole determining success factors is not the technical development but the ability to understand risk strategically and also the ability to handle and control risk organizationally. Al-Tamimi and Al-Mazrooei (2007) found that the UAE banks staff has good understanding of risk and risk management, which might give an indication about the ability of these banks to manage risks efficiently in the future. Moreover, understanding risk and risk management had positive effect on risk management practice. Rosman (2009) found that the staff in banks of Pakistan has good understanding of risk and risk management.

Hassan, A. (2009) assessed the degree to which the Islamic banks in Brunei Darussalam implemented risk management practices and carried them out thoroughly by using different techniques to deal with various kinds of risks. The results of the study showed that, like the conventional banking system, Islamic banking was also subjected to a variety of risks due to the unique range of offered products in addition to conventional products. The results showed that there was a remarkable understanding of risk and risk management by the staff working in the Islamic Banks of Brunei Darussalam, which showed their ability to pave their way towards successful risk management. The major risks that were faced by these banks were Foreign exchange risk, credit risk and operating risk. Berger and Udell (2004) have proposed the institutional memory hypothesis which contends that the extended passage of time since the last loan bust makes loan officers less skilful in granting loans to high risk borrowers as newer officers replace skilled ones, which manifests in a build-up of problem loans. The findings of this study are also in line with most of the earlier studies, where it was found that Understanding Risk and Risk Management is crucial for banks and also that Understanding Risk and Risk Management varies in different types of banks.

CONCLUSION

The paper examined whether common Understanding of Risk and Risk Management exists across the bank in employees of Public and Private sector banks in India. This type of orientation is necessary in the present scenario because progressive de-regulation and globalization has exposed Indian banking industry to increased risk exposures and in order to manage these risk efficiently there should be common Understanding of Risk and Risk management across the bank. The present study has indicated that Risk Management Policy and Risk Management Focus are the two factors for Understanding Risk and Risk management. From the descriptive and analytical results, it can be concluded that there is a general understanding of risk and risk management among the employees of Indian commercial banks. The results also indicate that there is a significant difference between the Public and Private sector banks in understanding of risk and risk management. New Private sector banks and old private sector banks have better understanding of risk and risk management while, SBI and associates and Other Public Sector Banks are comparatively less effective in this aspect. This reflects that in order to improve Risk management system in Public sector banks efforts should be made to train the employees so as to improve their understanding of Risk and Risk management.

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IMPACT OF TOTAL QUALITY SERVICE ON BRAND EQUITY

Rachita Sambyal

ABSTRACT

Customer satisfaction no longer constitutes the convincing focus for success and is replaced by customer delight by continuous improvements in total service quality. Total service quality positively affect brand equity, firm's market share and penetration. The data was collected using a questionnaire from 136 students pursuing MBA (IV semester) from institutions of Jammu University or affiliated to Jammu University using census methods. The study found that approved & authorised computer service centres differ with regard to service quality, employees & technology; respondents differ with regard to nature of equipment, visit to service centre, brand & nature of service centre and high brand association has emerged as the strongest predictors to determine overall brand equity. The analysis of the study suggested that TQS have not progressed beyond the `awareness' stage and requires quality-based visionary leadership that could entice best practice in TQS implementation ,continuous improvement in organizational performance, internal marketing focused on skill development , `Imagineering' and employee participation.

Key Words: *TQS, Brand Equity, Service Marketing*

INTRODUCTION

One of the greatest challenges facing organizations today is the ever-growing competition, the continuous increase in customer expectation and customers' subsequent demands as service improves (Ettorre, 1994). Moreover, customers are becoming increasingly critical of the quality of service they experience (Albrecht & Zemke, 1985) forcing companies to cut loose from the traditional customer satisfaction paradigm, to adopt proactive strategies which will assist them to take the lead in the market-place. One strategy which has gained momentum, in services, is the concept of quality management and total quality service (TQS). Brand has been termed an` asset' and `creator of wealth'. A way to measure the wealth generated by a brand is to determine its equity. Srivastava and Shocker (1991) propose that brand equity comprises of two components: brand strength, which consists of the set of associations & behaviors on the part of the brand's customers, channel members & parent company that allows the brand to enjoy a competitive advantage and brand value, which is the financial outcome of management's ability to strategically leverage brand strength to produce profits. Researchers such as Aaker and Jacobson (1994, 2001) and Kim, Kim, & An (2003) have also shown the existence of a relationship between measures of consumer brand perceptions and the brand's financial performance producing

positive impact on firm's market share and penetration (Baldinger & Rubinson, 1996).

Total quality service, brand equity & business performance

According to Berry et al. (1988), service quality has become a great differentiator and the most powerful competitive weapon which many leading service organizations possess. Service business success has been associated with the ability to deliver superior service (Gale, 1990 and Rudie & Wansley, 1984) in a bid to gain customer loyalty (Zeithaml & Bitner, 1996) to expand and maintain a large & loyal customer base. Delivering quality service means conforming to customer expectations on a consistent basis. Customers will remain loyal to a service organization if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996). Moreover, in the present competitive setting, if one were to understand the lifetime value of a customer (Zeithaml & Bitner, 1996), developing a long-term customer relationship is paramount (Gronroos, 1990b, 1991 and Peters, 1988) to an organization' s survival. Customers commonly desire personalized and close relationships with service providers (Parasuraman et al., 1991c) and value the benefit of maintaining the relationship (Zeithaml et al., 1996). It has become increasingly important for service organizations' vision to conceptualize the service concept beyond the short-term financial goal to the long-term `relational value'. The relational value paradigm (between: customer & employee; customer & service organization; employee & service organization and service provider & service intermediaries) has now become more important than ever before. Total service quality can be achieved through service innovation (Kandampully, 1997), emotional relationship ((Butz & Goodstein, 1996), service personnel (Bejou et al.,1996), internal orientation (Zilbershtein, 2004) and organizational change (Brown & Eisenhardt,1998).

Brand conscious customer mindset measures as defined by Keller and Lehmann (2003) include `everything that exists in the minds of customers with respect to a brand (e.g. thoughts, feelings, experiences, images, perceptions,

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beliefs, and attitudes) and encompass a wide variety of both quantitative and qualitative measures of brand equity. Aaker (1991) proposes a brand equity model which consists of the four mindset measures of brand loyalty, brand awareness, perceived quality and brand associations, as well as a measure of other proprietary brand assets, such as trademarks, patents and channel relationships.

Total quality service enhances brand equity by management's ability to strategically leverage brand strength (the basis of brand value) to produce profits.

Research gap

The use of computers and its accessories has enabled the corporations to obtain a competitive advantage by reducing the time needed to design and bring new products to market, slashing inventories, customizing manufacturing and entering new markets. The literature has touched total quality service in varied service industries such as library, banking, automobiles, airlines, housing finance etc. The total quality services in computer and its accessories service centres in the context of brand equity has remained untouched. In the present study the impact of total quality service on brand equity among MBA students using computers and its accessories have been examined,who are expected to use these IT tools in improving corporate performance in automating existing back office processes, keeping track of clients& expenses, enhancing key business functions harnessing full potential of internet for marketing, intranet for internal communication and extranets for logistics & distribution.

Hypothesis and objectives

The motive behind implementation of TQS is mainly to increase efficiency, productivity (Behesti & Lollar, 2003 and Dean & Helm,1996), brand equity, store loyalty, quality certificate (Zhang & Wijngaard,2000),a tool for defensive & offensive marketing, increase in sale, striking a balance between customer perception & expectations, increasing purchases and free advertising through word of mouth. Moreover, most companies are aware about TQS being meant only for the ISO 9000 series standards, largely because of its requirement in export market penetration (Agarwal & Vithala,1996) Thus the first hypothesis is:

Hyp_1: Authorised/Approved computer service centres differs significantly with regard to total quality service.

Obj_1: To ascertain the significance of mean difference of authorized and approved computer service centres with regard to organization, management, employees and technology aspects of total quality service.

The user as the definer of quality plays a central role in the quality concept. The purchases are made mostly on customers' perception of quality attached to a product (Sudhahar,2005), this customer focused definition of quality is said to have grown out of the service marketing literature(Gronroos, 1984 and Parasuraman et al.,1985) .This concept is slowly shifting to service quality which is defined as a comparison of what customers feel as service provider should offer (i.e. their expectations) with how the provider actually performs (Gronroos, (1982; Sasser et al. ,1978 and Uolevi ,L & Lehtinen,1982).Parasuraman et al.(1994) defines service quality as perceived by customers as the degree and directions of discrepancy between customer's service perceptions and expectations i.e. P-E (Performance-Expectations). Although the discussion of this concept is still happening (Schchneider &Bowen, 1993), in the present study we assume quality as the knowledge of customers' needs and their satisfaction and not the (exclusive) presence of a single property (Deming, Edwards, 1994) .The quality concept is still being debated, in these terms it can be explored in many different ways, especially because people with different socio-demographic characteristics perceived TQS in a different way (Pollitt & Bouckaert, 1995).The next hypothesis is:

Hyp_2: Respondents with varied computer usage style differ with regard to the perceived total quality service.

Obj_2: To determine significant mean difference regarding perceived total quality service among respondents sub divided according to institutions, nature of equipment used, visit to service centres, brand of equipment and nature of service centre

For a decade, brand equity has been considered a major indicator of the value of the brand (de Chernatony, 1999). Within the marketing literature, customer based brand equity (CBBE) is considered an important measure of the value of the brand in the customer perspective (Swait et al. 1993). The company brand provides information about the company (Aaker & Biel, 1993) as well as the company's possibilities and promises (Lassar et al. 1995). Brand associations, consisting of favourability and uniqueness and influence the credibility of a brand signal. In addition, Erdem and Swait's (1998) empirical research illustrates that the credibility of a brand signal is increased by the marketing of the brand (brand investment), the level of consistency and the clarity of the brand signal. The last hypothesis is :

Hyp_3 : Brand equity is dependent on favourability & uniqueness of brand associations, the level of awareness, high quality & popularity, sale service associated with it.

Obj_3 : To entice predictors of brand equity among the dimensions of favourability & uniqueness of brand associations, the level of awareness, high quality & popularity, sale service associated with it.

Research methodology & design

The data was collected from both primary and secondary sources. The primary data was collected by using a questionnaire from students pursuing MBA (IV semester) from institutions of Jammu University or affiliated to Jammu University. Census methods was adopted in collecting requisite information from 136 students. Institution-wise ,break up of the students is 30(The University Business School including Kathua campus), 29 (Priyadarshni Institute of Management Sciences),30 (MBS College of Engineering and Technology),28 (Institute of Management Sciences) and 19 (MIET) .The dimensions included in the questionnaire were related to general information, quality service, organization, management, employees, technology and brand equity.

Information from secondary sources was collected from various national & international journals pertaining to service quality, consumer behavior & marketing research, total quality management, internet etc.

The raw data obtained from 136 respondents was purified and reduced through factor analysis on SPSS (Version 17.0).The Principal Component Analysis (PCA) with Varimax rotation (Kakati and Dhar, 2002) ,being the best rotation procedure which minimizes the number of items with high factor loading on one factor, thereby enhancing the interpretability of the factors. The process of R-Mode Principal Component Analysis (PCA) with Varimax rotation was applied on dimension-wise total quality service variables. The factors extracted were 2 (Service quality), 2 (Organisation), 3 (Management), 2 (Employee orientation),1(Technology) and 4 (Brand equity). The test of appropriateness of the factor analysis has been verified through KMO measure of sampling adequacy, where the value greater than 0.5 is accepted, values between 0.5 -0.7 are mediocre,0.7-0.8 are good and 0.9 greater and above 0.9 superb (Churchill ,1998). Further , dimension-wise values of KMO and Bartlett's Test of Sphericity , indicating sufficient common variance and correlation mix(Dess et al,1997 and Field,2000).

Dimension-wise, Cronbach Alpha was arrived at service quality(0.72), Organisation (0.76), Management (0.69),Employee orientation (0.89),Technology (0.73) and Brand equity (0.77).The convergent validity of the data has been proved by the positive correlation matrix of the different dimensions of the scale. The content validity of the scale was assessed through review of literature & discussion with the marketing experts and subject experts for the selection of items in questionnaire.

The primary data collected through survey after purification was subjected to various statistical tools such as t test, one way ANOVA & multiple regression for hypotheses testing and to draw meaningful conclusions.

Analysis of results & interpretation

Table 1 shows the output from independent t test measuring significance of mean between authorized service centres and approved service centres with regard to service quality, organization, management, employees and technology aspects of total quality service. In all five dimensions, both service centres differ with regard to service quality, employees and technology as corresponding t value and the value of $p<0.05$. In organization and management aspects, no significant mean difference exist between authorized service centres and approved service centres as the value of $p> 0.05$. Thus the hypothesis,` *Authorised/Approved computer service centres differ significantly with regard to total quality service' is accepted on three dimensions and rejected on two dimensions*.

Table 2 shows output from F test calculated using one way ANOVA through SPSS (version 15.00) on five dimensions of usage style. Respondents differ with regard to nature of equipment, visit to service centre, brand and nature of service centre as the corresponding value of F ratio is $p<0.05$. In case of institution , no significant mean difference exist among respondents with regard to perceptions about total quality service. Thus the hypothesis` *Respondents with varied computer usage style differ with regard to the perceived total quality service ' is accepted on four dimensions and rejected on one dimensions*.

Table 3 shows the results of step wise regression analysis using 4 factors to predict the dependent variable of brand equity of computers and its accessories. The results of the regression analysis shows three independent variables as significant in the regression model: `High brand association', `The expected brand delivery' and `Brand differentiation'. The value of R as 0.142, 0.201 and 0.342 signify the correlation between predictor and outcome. `High brand association' has emerged as the strongest predictors whereas `differentiated brand' has turned out to be weakest predictors as confirmed by their relative t-values. The total variability in brand equity accounted for by these three independent variables is 11.7%. Change in R2 is found to be significant as the value of F are well below 0.05% significance level. The value of Durbin –Watson being close to 2 is also indicative of the fact that errors in regression are independent. Thus the hypothesis `*Brand equity is dependent on favourability & uniqueness of brand associations, the level of awareness , high quality & popularity, sale service associated with it' is accepted on three dimensions and rejected on one dimension*.

CONCLUSION & FUTURE RESEARCH

The analysis of the study suggested that TQS have not progressed beyond the `awareness' stage'. The main cause is that top management in these computer service centres is only paying lip service to implementing TQS without any real commitment to making changes. Lower level managers are frustrated because they cannot convince senior management of the benefits of TQS. What is required is quality-based visionary leadership that could entice best practice in TQS implementation. Institutions of total service quality awards based on sustaining continuous improvement in organizational performance, internal marketing focused on skill development &, `Imagineering' should also be promoted and outdated habits such as hire & fire and holding the workers responsible for all errors must be discarded. Participation by employees in decision making and development of an organization's vision is seen as critical in gaining high-level commitment to the organization' s goals. The implementation of TQS in creating brand equity requires on-going commitment from the `top floor' and the `shop floor'.

In future ,similar researches could be taken in banking, tourism & hospitality, educational sectors etc. within India and abroad

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Table 1: Output from t test showing significance of mean difference with regard to tqs dimensions

Total quality service dimensions	Authorised service centres		Approved service centres		t-value	Level of sig
	Mean	S.D	Mean	S.D		
Service quality	3.98	.681	2.78	1.11	.665	.043*
Organisation	3.38	.493	3.34	1.15	3.27	.082
Management	3.45	.770	3.68	1.36	2.18	.076
Employees	4.34	1.04	3.21	1.27	1.30	.049*
Technology	3.21	.855	3.78	.977	1.41	.032*

Table 2: output from f test showing significant mean difference with regard to institution, nature of equipment,visit to service centre,brand and nature of service centre among respondents

Usage style	Description	Nature of variables	Sum of square	Df	Mean square	F	Sig.
Institutions	TBS PIMS IMS MBS MIET	Between group Within group Total	0.832 193.034 193.86	1 135 136	.832 .818	1.017	.314
Nature of equipment	Desk top Lap top	Between group Within group Total	2.923 190.943 193.86	1 135 136	.974 .816	1.194	.043*
Visit to service centre	Once in a month Once in 3 months Once in 6 months Once in a year	Between group Within group Total	3.846 221.297 225.143	1 135 136	1.923 .943	2.042	.022*
Brand	IBM HP Compaq Dell HCL Assembled	Between group Within group Total	3.927 189.938 193.866	1 135 136	1.309 .812	1.613	.032*
Nature of service centre	Authorised service centre Approved service centre Not known	Between group Within group Total	56.876 136.990 193.866	1 135 136	9.479 .593	15.985	.012*

Level of significance 0.05

Table 3: Regression model summary (with coefficient) of brand equity as dependent variable (step-wise multiple regression method)

Model	R	R2	Adj. R2	St. error of estimation	ANOVA	Sig. level	Beta	t	Sig. level	Durbin Watson
1	.142 a	.020	.061	.6924	4.853	.029	.142	2.20	.029	1.872
2	.201b	.041	.032	.6867	4.964	.008	.150	2.23	.026	
3	.342c	.117	.106	.6602	10.325	.000	.482	4.49	.000	

a. Predictors(Constant): High brand association

b. Predictors (Constant): High brand association and Expected brand delivery

c. Predictors (Constant): High brand association, Expected brand delivery and Brand differentiation.

d. Dependent variable : You are satisfied with the brand and services associated with it.

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BALANCED SCORECARD A TOOL FOR PERFORMANCE MEASUREMENT

Seema Srivastava

ABSTRACT

Performance measurement is very significant but highly complex issue in all organizations. Measurements are the yardsticks that do not tell only how we have done but also motivate employees to perform. Many financial tools have been used by industries to measure performance such as contribution margin, operating profit, net profit, variance figure, return on capital (ROI), residual income (RI) etc. But these measurement concepts have been criticized by both academicians and corporate managers. To avoid the limitations of financial measures, Robert Kaplan and David Norton developed a technique known as balanced scored to complement financial measures of past performance with measures of the driver of future performance.

Key Words: *Performance Measurement Balanced Scorecard, Financial Perspective, Customer Perspective, Internal Business Perspective, Innovation and Learning Perspective.*

INTRODUCTION

Performance measurement is considered highly complex and unresolved issue in every organization. All organizations are always in search of measurement techniques which can help them in achieving organizational objectives, measuring performance, motivating employees for better performance. It is such a management aspect which involves human component in different activities relating to performance measurement such as:

- Who sets the objectives/targets in the first place?
- Who develops /designs the performances measurements?
- Who would be involved in the measurement exercise?
- Who would be assigned responsibility to interpret/explain the meaning of measures obtained?
- Who would assist/coordinate in implementing the performance measurement systems?
- Whose responsibility would be to improve performance measures?

Performance measurement is not confined to the question of 'how to do it' but rather 'how to make it succeed'. Measurements are the yardsticks that do not tell only how we have done but also motivate employees to perform. Mohamed Zairi1 observes:

"Measurement is the trigger for improvement. Improvement leads to building strengths, growth and prosperity. It is therefore not very surprising to see that organizations that tried very hard to measure have eventually succeeded in securing commanding positions in the market place."

"Measurement induces curiosity, interrogation and challenging the way things arc done It ensures understanding, strong focus and builds credibility. It represents the value and the output that people contribute to the customer. Controlling the consistency of such an output and ensuring that the value of the 'work effort' will always remain high, it can only come through scrutiny, challenging and interrogating (i.e. learning to do the right things, learning to work smarter rather than harder, learning to be effective, learning to use the best knowledge available and learning for the sake of learning)."

"Measurement, however, is not about counting, collecting absolute data, or building league tables. Measurement for the sake of measurement will not lead to change in behaviour if it appears to be threatening, if it is intended to apportion blame and if it is to lead to reprimands (i.e. who did it). For measurement to be effective it has to be non-threatening, focusing on the process, geared towards improvement and positive action. Measurement has to be hard on the problem but soft on the owner."

EXISTING MEASUREMENT TECHNIQUES

Many financial tools have been used by industries to measure performance such as contribution margin, operating profit, net profit, variance figure, return on capital (ROI), residual income (RI). But these measurement concepts have been criticized by both academicians and corporate managers. It is argued that these measures do not help the organizations in meeting challenges created by modern-day business environment. Such measures focus on only quantitative and short-term results, they imply cost and revenue data, not the organizational or management process; data used for these measures are outdated and irrelevant; measures generally relate to single activity, single dimension; measures do not consider customer perspective. Performance measures currently being used are based on bottom-line financial results and inhibit the companies' attempts to incorporate changes and bring improvements such as total quality management (TQM), just-in-time (JIT), advanced manufacturing system (AMS), activity - based management (ABM), new technology, global competition. Johnson and Kapan2 have criticized the

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traditional performance measurement systems and comments:

"Today's management accounting information, driven by the procedures and cycle of the organization's financial reporting systems, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions."

Mark Graham Brown3 has mentioned the following problems associated with existing measurement systems:

Too much data.

All measures are short-term focused.

Lack of details

Measures that drive the wrong performance

Measures of courtesy versus competence

Measures of behavior versus accomplishments

Measures encourage competition and discourage teamwork.

Kaplan & Norton's Balanced Scorecard on Performance Measurement

To avoid the limitations of financial measures, Robert Kaplan, a Harvard Professor and David Norton, a consultant, developed a technique, popularly known as Balanced Scorecard' (BSC). Kaplan and Norton4 comment on BSC as follows:

"The Balanced Scorecard (BSC) provides managers with the instrumentation they need to navigate to future competitive success. Today, organizations are competing in complex environments so that an accurate understanding of their goals and the methods for attaining those goals is vital. The Balance Scorecard translates an organization's mission and strategy into a comprehensive set of performance measures that provides the framework for a strategic measurement and management system The balanced scorecard retains an emphasis on achieving financial objectives, but also includes the performance drivers of these financial objectives The Scorecard measures organizational performance across four balanced perspectives: financial, customers, internal business processes and learning and growth. The BSC enables companies to track financial results while simultaneously monitoring progress in building the capabilities and acquiring the intangible assets they need for future growth."

Meaning of Balance in Balance Scorecard

According to AtKinson, Banker, Kaplan and Mark Young5, to be balanced, performance measurement systems must meet two requirements:

I. They should reflect the organization's understanding of causes of successful performance on the organization's primary objectives-that is, the performance measurement system should monitor both the organization's performance and what management believes are the drivers of performance on the organization's primary objectives. This is the depth requirement of being balanced.

2. The performance measurement system should measure the most critical aspects or differentiators of organization performance. These aspects give the organization its unique abilities to achieve its primary objective. This is the breadth requirement of being balanced.

The focus of the balanced scorecard is a system of performance measurements that organizations use to track performance on its primary and secondary objectives. In this sense, the organization's planning and strategy, which defines what relationships the organization must develop with its employees, its suppliers, and the community to be successful with its targeted customers, defines the focus and scope of the balanced scorecard.

Perspectives (Factors) in Balanced Scorecard

The Balanced Scorecard complements financial measures of past performance with measures of the drivers of future performance. The objectives and measures of the scorecard are derived from an organization's vision and strategy. The objectives and measures view organizational performance from four perspectives: financial, customer, internal business process, and learning and growth. These four perspectives provide the framework for the Balanced Scorecard (see Fig. 1 and 2).

Translating Vision and Strategy:- Four Perspectives.

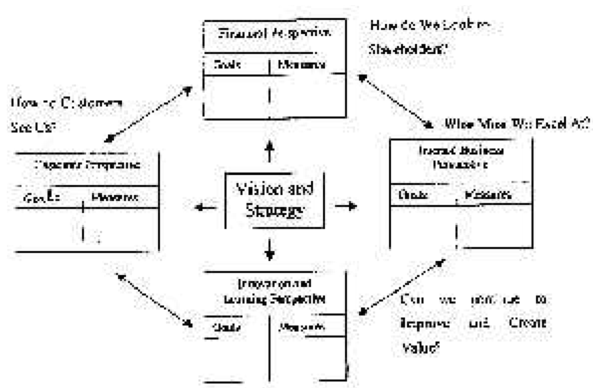


Fig 1: Balanced Scorecard

The Balanced Scorecard expands the set of business unit objectives beyond summary financial measures. Corporate executives can now measure how their business units create value for current and future customers and how they must enhance internal capabilities and the investment in people, systems, and procedures necessary to improve future performance. The Balanced Scorecard captures the critical value-creation activities created by skilled, motivated organizational participants. While retaining, via the financial perspective, an interest in short-term performance, the Balanced Scorecard clearly reveals the value drivers for superior long-term financial and competitive performance.

Four Perspectives of a Balanced Scorecard

Financial	Is the company achieving its financial goals?	Operating income, Return on assets, Sales growth Cash flow from operations, Reduction of administrative expense.
Customer	Is the company meeting customer expectation?	Customer satisfaction, Customer retention, New customer acquisition, Market share, On time delivery, Time to fill orders.
Internal Process	Is the company improving critical internal process?	Defect rate Lead time, Number of suppliers, Material turnover, Percent of practical capacity.
Innovation	Is the company improving its ability to innovate?	Amount spent on employee training, Employee satisfaction, Employee retention, Number of new products, New product sales as a percent of total sales, Number of patents

Fig. 2:-Some Examples of Measures for the Four Perspectives of a Balanced Scorecard.

Business organizations using balanced scorecard generally develop three to five performance measures for each of four dimensions and the measures are tied to the company's strategy for success. Some potential measures for each dimension are illustrated in Fig.3.

Balanced Scorecard Example

Strategy: To be the leading organization in our industry through constant innovation and adaptation to our environment. We will measure success in terms of value creation for our shareholders and customers, by the learning and growth of our employees, and by our good corporate citizenship.

Objectives	Initiatives	Performance Measure	Target
Financial Perspective			
Increase shareholder wealth, Provide growth	Develop new products, Increase online sales	Return on assets Percentage growth in sales	25% 30%
Customer Perspective			
Increase market share, Increase customer satisfaction	Increase advertising, Increase post sales services	Percentage market share Percentage satisfied through survey.	10% 9%
Internal Business Process Perspective			
Reduce throughput time, Provide on-time delivery, Reduce defects	Reduce non-value-added Activities, Streamline delivery process, Develop employee quality teams	Average throughput time Percentage on-time delivery Percentage defects	4hours 90% 0.01%
Learning and Growth Perspective			
Develop a multi skilled workforce, Improve information systems, Reduce employee turnover	Provide employee training, Hire new employees in computing, Pay higher salaries	Percentage of employees with multiple skills, Number of employees in computing, Percentage annual	80% 20% 10%

Fig. 3:- Balanced Scorecard Example

Kaplan and Norton's model of Balanced Scorecard includes the following perspectives:

1. Financial Perspective
2. Customer Perspective
3. Internal-Business-Process Perspective
4. Learning and Growth Perspective.

1. Financial Perspective

The BSC retains the financial perspective since financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. Financial performance measures indicate whether a company's strategy, implementation, and execution are contributing to bottom-line improvement. Financial objectives typically relate to profitability - measured, for example, by operating income, return-on-capital employed, more recently, economic value-added. Alternative financial objectives can be rapid sales growth or generation of cash flow.

Most companies do have data on the traditional measures: profit, ROI. Income, expenses, cash flow, securities prices, accounts receivables, accounts payable and so on. However, it is argued that this does not necessarily mean that these are the right measures for running a business. The problem with most companies' approach to measuring financial performance is that they measure too many things, and too few of the measures are data that are useful in managing performance in the organization. In other words, most financial reports do not contain the right amount or the right data that managers need to make good business decisions and effectively run the organization7.

Financial measures in the balanced scorecard should contain three types of information:

Historical data: - How did we do last month, last week, this year, last year and so on?

Current data: - How are we doing right now, today?

Future data: - How will we be doing in the next few months or years?

Historical financial measures indicate how well an organization is doing with regard to sales, profit, cash flow, etc. These are all measures of corporate performance that are based on history. Historical data are interesting but do not enable a manager to do much to improve future performance. Future-oriented financial data provide strategic measures that help to make decisions which will have long-term effects on the company. Another measures that are useful in measuring overall organization performance are economic value added (EVA), market value added (MVA), activity-based costing (ABC).

2 Customer Perspective

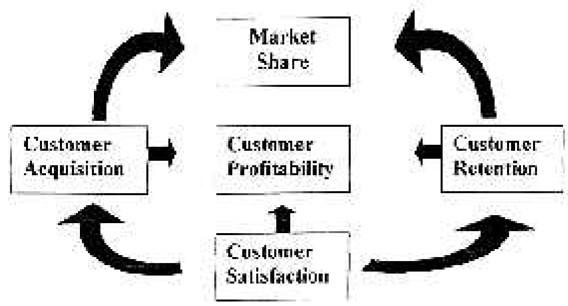
In the customer perspective of the Balanced Scorecard, managers identify the customer and market segments in which the business unit will compete and the measures of the business unit's performance in these targeted segments. This perspective typically includes several core or generic measures of the successful outcomes from a well-formulated and implemented strategy. The core outcome measures include customer satisfaction, customer retention, new customer acquisition, customer profitability, and market and account share in targeted segments. But the customer perspective should also include specific measures of the value propositions that the company will deliver to customers in targeted market segments. The segment-specific drivers of core customer outcomes represent those factors that are critical for customers to switch to or remain loyal to their suppliers. For example, customers could value short lead times and on-time delivery, or a constant stream of innovative products and services, or a supplier able to anticipate their emerging needs and capable of developing new products and approaches to satisfy those needs. The customer perspective enables business unit managers to articulate the customer and market-based strategy that will deliver superior future financial returns8.

The core measurement group of customer outcomes is generic across all kinds of organizations. The core measurement group includes measures of.

- Market Share
- Customer retention
- Customer acquisition
- Customer satisfaction
- Customer profitability

These core measures can be grouped in a causal chain of relationships

Figure 4:- The Customer Perspective- Core Measures



Market Share	Reflects the proportion of business in a given market (in terms of umber of customers, amount spent, or unit volume sold) that a business unit sells.
Customer Acquisition	Measures, in absolute or relative terms, the rate at which a business unit attracts or wins new customers or business.
Customer Retention	Tracks, in absolute or relative terms, the rate at which a business unit retains or maintains on going relationships with its customers.
Customer Satisfaction	Assesses the satisfaction level of customers along specific performance criteria within the value proposition.
Customer Profitability	Measures the net profit of a customer, or a segment, after allowing \ for the unique expenses required to support that customer.

3. Internal-Business-Process Perspective

In the internal-business-process perspective, executives identify the critical internal processes in which the organization must excel. These processes enable the business unit to

- Deliver the value propositions that will attract and retain customers in targeted market segments, and
- Satisfy shareholder expectations of excellent financial returns.

The internal-business-process measures focus on the internal processes that will have the greatest impact on customer satisfaction and achieving an organization's financial objectives. This perspective aims to control processes to produce reliable and consistent products and services. Performing the right processes in the right manner leads to consistent in levels of product and service quality. The difficulty lies in finding the right process variables to measure and setting the standards appropriate to performance levels of each of the process measures. Process and operational measures are leading-edge

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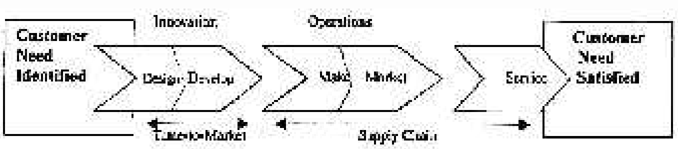
measures that are more short-term-focused. These are the measures that are typically monitored every day or at least every week. Some process variables are even monitored continuously to ensure the production and delivery of high-quality products and services. Achieving good performance levels on process or operational measures leads to high-quality products and services, which, in turn, lead to satisfied or delighted customers which lead to repeat business and promote an organization's long-term survival and success9.

In order to achieve consistently high performance, an organization must control its inputs. The two most important inputs to good performance are knowledge of customer requirements and high-quality goods and services from key suppliers.

The internal-business-process perspective reveals two fundamental differences between the traditional and the BSC approaches to performance measurement. Traditional approaches aim to monitor and improve existing business processes. They may include financial measures of performance as well as quality and time-based metrics. But they still focus on improvement of existing processes. The balanced scorecard approach, however usually identify entirely new processes which can help an organization to meet customer and financial objectives. For example, a company may realize that it must develop a process to anticipate customer needs to deliver new services that target customers' value. The BSC internal-business-process objectives highlight those processes which may not be currently performing at all, that are most critical for an organization's strategy to succeed.

Further, the BSC approach aims to incorporate innovation processes into the internal-business-process perspective (see tig.5). Traditional performance measurement systems focus on the processes of delivering today's products and services to today's customers.

Figure 5:- The Internal-Business-Process Value-Chain Perspective



Business Processes

Innovation Process

- Product Design
- Product Development

Operations Process

- Manufacturing
- Marketing
- Post sale Service

But the drivers of long-term financial success may require an organization to create entirely new products and services that will meet the emerging needs of current and future customers. The innovation process, the long wave of value creation, is for many companies a more powerful driver of future financial performance than the short-term operating cycle. For many companies, their ability to manage successfully a multiyear product-development process or to develop a capability to reach entirely new categories of customers may be more critical for future economic performance than managing existing operations efficiently, consistently, and responsively.10

Some measures which can be used to determine processes and operational results are as follows:

1. Cycle time for all vital processes.
2. Rework time and/or costs for key production and service delivery processes.
3. Important productivity measures in key processes.
4. Identification of process measures for key processes identified in each unit, function and department of the organization.
5. Establishing proper linkage between process measures and performance factors (or characteristics) of the product or service,
6. Identifying process measures to achieve consistently high-quality products and services.
7. Setting up targets, goals or standards for all key process measures based on bench mark organizations and customer requirements.
8. Developing an overall safety index consisting of several output measures, preventive and behavioral measures,
9. Developing and using future-oriented process measures to ensure long-term survival and success.

4. Learning And Growth Perspective

The fourth perspective of the balanced scorecard, learning and growth, focuses on the infrastructure that the organization must build to create long-term growth and improvement. Businesses may not achieve their long-term targets for customers and internal processes using older, or today's technologies and capabilities. Also, intense global competition requires that companies continually improve their capabilities for delivering value to customers and shareholders.

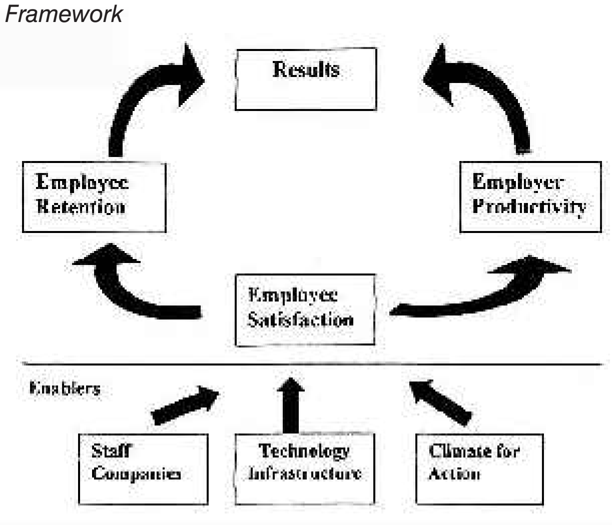
Organizational learning and growth come from three principal sources: people, systems, and organizational procedures. The financial, customer, and internal-business-process objectives on the Balanced Scorecard typically will reveal large gaps between the existing capabilities of people, systems, and procedures and what will be required to achieve breakthrough performance. To close these gaps, business will have to invest in reskilling employees, enhancing information technology and systems, and aligning organizational procedures and routines. These objectives are articulated in the learning and growth perspective of the Balanced Scorecard. As in the customer perspective, employee-based measures include a mixture of generic outcome measures--employee satisfaction, retention, training, and skills - along with specific drivers of these generic measures, such as detailed, business-specific indexes of the particular skills required for the new competitive environment. Information systems capabilities can be measured by real-time availability of accurate, critical customer and internal process information to employees on the front lines of decision making and actions. Organizational procedures can examine alignment of employee incentives with overall organizational success factors, and measured rates of improvement in critical customer-based and internal processes.11

Most companies use employee objectives drawn from a common core of three outcome measurements (See Figure 6). These core outcome measurements are then supplemented with situation-specific drivers of the outcomes. The three core employee measurements are

1) Employee satisfaction
2) Employee retention
3) Employee productivity

Within this core, the employee satisfaction objective is generally considered the driver of the other two measures, employee retention and employee productivity.

Figure:6 The Learning and Growth Measurement Framework



The balanced scorecard (BSC) developed by Kaplan and Norton comprises four perspectives discussed above: financial, customer, internal-business-process, learning and growth. However, there are some other vital aspects which should be included in a balanced scorecard used by organizations to measure performance and use it as a management system. Some such vital perspectives are:

- Supplier perspective
- Public Responsibility, Environmental Protection
- Employee Satisfaction

Suppliers are critical to most organizations and many organizations do have poor method of measuring supplier performance. Some factors which might be used to evaluate supplier performance are the following:-

- Responsiveness
- Flexibility
- Attention to detail
- Ease of doing business
- Courteousness of staff
- Follow-through

Organizations may assign a supplier an overall rating on a l-to-10 scale, based on how it performed. It is also advisable to break down supplier related satisfaction into the most important requirements and grade how the supplier performed in each area. Organizations should judge the supplier satisfaction in terms of what is important to them. Business enterprises who buy supplier goods and services may have a different set of needs from individuals who use the supplier goods or services. The supplier satisfaction factors do not need to be tailored to different types of suppliers. There can be common factors and these may apply to all the suppliers.

Balanced scorecard should contain adequate measures for social responsibility, environmental safety, greater employee satisfaction so that it can act as a powerful and satisfying tool of performance measurement. It needs to be emphasized that a balanced scorecard should highlight integrity and honesty among all the stakeholders and the employees in a business enterprise. Integrity and honesty are important properties for the success and growth of both companies and employees. Integrity is important to leverage a win-win situation. Also, success comes with ethical values, integrity and honesty. Corporate enterprises should be willing to improve their performances after noticing poor results as compared with standards, targets and goals specified in the balanced scorecard. One has to be able to learn from failures to succeed in life.

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REVISING STRATEGIES AND GAME PLAN : Giving New Edge to Multi National Strategies in Emerging Markets.

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ABSTRACT

Competitions among firms give opportunity of choice and better quality products and services to the consumers. Two decades back, a part of the world with larger portion of population was deprived of the opportunity of better choices to have quality living standards. Opening of economies ruling out the barriers of free trade made possible for this deprived consumer to have choices of quality products and services. Where as Globalisation has created opportunities for several companies to grow and expand their business globally, at the same time it added momentum to those economies which had been regarded stagnant and backward economies lagging behind in all parameters of growth. Today these economies are seen most promising economies by the large MNCs to expand their business. But, it is not always easier for MNCs to consolidate themselves in these emerging markets competing with the local firms and their arch-rival MNCs. Many of them succeeded, a few are struggling for survival, many gave up their endeavors and several still revising their strategies to capture a chunk of market share from others. It is expected that at the end of the decade, the major share of contribution in the world economy will be from all these emerging economies of India, China, Brazil and Russia. We have been keeping a watch on these economies for last five years and analyzing how MNCs are devising their strategies, re-engineering their products, building core competencies to consolidate their position in these emerging markets especially in India. This paper gives an insight into the Strategies and policies effective to sustain and enhance the opportunities for MNCs in the emerging markets of these economies.

Key words: *Quality Living Standards, Emerging Market, Market share, Product re-engineering*

INTRODUCTION

Most Western and Asian MNCs look Indian market is very much promising and wide in prospect of their growth and consolidation. Many of them wish to implement their superb and unique strategies already tested in Europe and U.S. markets but very often that doesn't work. Kellogg's story is well known to us. Kellogg Company was the world's leading producer of cereals and convenience foods, including cookies, crackers, cereal bars, frozen waffles, meat alternatives, piecrusts, and ice cream cones. Launched in September 1994, Kellogg's initial offerings in India included cornflakes, wheat flakes and Basmati rice flakes.

Despite offering good quality products and being supported by the technical, managerial and financial resources of its parent, Kellogg's products failed in the Indian market. Even a high-profile launch backed by hectic media activity failed to make an impact in the marketplace... In April 1995, Kellogg India Ltd. (Kellogg) received unsettling reports of a gradual drop in sales from its distributors in Mumbai. Kellogg realized that it was going to be tough to get the Indian consumers to accept its products. Kellogg banked heavily on the quality of its crispy flakes. But pouring hot milk on the flakes made them soggy. Indians always boiled their milk unlike in the West and consumed it warm or lukewarm. They also liked to add sugar to their milk or lukewarm.

Cadbury Schweppes introduce its popular brand soft drink Canada Dry, in India in 1995. Canada Dry was a Champagne soft drink. The brand had positioned itself as a Champagne and the taste was different and refreshing. The brand was also promoted heavily in various media. The brand was positioned as a premium cooldrink. It gained immediate acceptance because of its association with Cadbury. And had the potential to become a premium softdrink brand in India but it failed.

Hero-BMW joint ventured introduced the super-bike F650. in 1995-96. it was thought that the young bikers would give very enthusiastic response as it was given in Europe. But the bike could be made popular in India. The superbike in 1995-96 was considered by many as a product much ahead of its time, some other products had to be killed because of heavy competition.

The story of Fiat is also well known. Fiat usually positions its cars as 'reliable and sturdy' cars for middle-class consumers. This strategy has worked well for the company especially in emerging markets like Brazil. In 1997, the company entered India through a joint-venture with Premier Automobiles Ltd (to sell its new car 'Uno'), which it had successfully partnered with previously (since 1951) allowing the latter to sell Fiat cars in India that were dominantly used as taxis back then.

The Uno's pre-launch image appeared to be very fascinating, but Fiat screwed it up by continuing its position strategy in India carried over from its huge success in South

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America. It believed that the similar positioning would work for them considering that both Brazil and India share similar attributes (both being emerging economies). One of the major problems was lack of market research. For a start, their brands' perception was largely associated with the cheap taxis that had been selling for several years. These cultural issues needed to be considered to counter such perception through aggressive advertisements. Apart from this, we reckon, the company failed to look into the demographic statistics of India. Only about 600000 cars were being sold to a billion people every year. On account of such low sales, Cars therefore were more of a status symbol in India than a utility option. Therefore they were wrong to market the car as a reliable workhorse, which obviously led to their failure to woe the Indian consumer.

Another interesting story of failures without deep insight the Indian market and it's consumer was of Pizza-Point. It was a local Company that wanted to capture Indian market on low-price offering strategy basis ignoring very genuine facts of Indian Customers. It is a well-known fact that the leaders of the Pizza industry in India comprise of Dominos and Pizza Hut. But a few years back a local company, 'Pizza Point' came into existence with a belief of capturing the market share global pizza giants couldn't meet.

In emerging economies like India, consumers are not exposed to global brands for a long period of time, causing a lot of variance in the perceptions of brands and products. In this case, consumers' perception of Pizzas largely oriented from global brands like Pizza Hut and Dominos. The Managers at Pizza Point reckoned that two-thirds of the market could not afford the highly priced Pizzas offered at the international pizza chains. So they created a brand hoping to capitalise the flexibility of being a local brand offering a localised pizza at cheaper rates. On one occasion Pizza Point senior managers had quoted, they would like the brand to be much more localized and not thought of in a glamorous manner.

Eventually, Pizza Point failed to position their brand locally. Why? Though the prices were cheaper than those of their International competitors, they were much higher than the prices of local food like curries and other similar dishes. This immediately reflected on their perception; consumers would not visit a Pizza Point unless it was a special occasion when they are prepared to spend more.

Many consumers also felt that the food was 'foreign' and not 'Indian', which inadvertently gave Pizza Point a status symbol to be associated with (something they never wanted). The management could have perhaps gone for an Indian-(ized) name to go with, which could have countered the glamorized image. A major problem for Pizza Point came from pre-conceived perceptions in their target markets' mind oriented from a product category that was dominated by Pizza Hut and Dominos. This never allowed Pizza Point to differentiate their image from the International pizza giants.

WHAT IS AN EMERGING MARKET?

Although we deliberately name India, China, Brazil, Indonesia as emerging markets for Western, US and Japanese MNCs, yet there is a need to clearly understand the term emerging market. According to Harvard Professors Tarun Khanna and Krishna Palepu, emerging market is defined as per the characteristics such as size, growth rate, recently opened market for competitive firms etc. the most important criterion is how well an economy helps buyers and sellers come together. Ideally, every economy would provide a range of institutions in order to facilitate the functioning of markets, but developing countries lack in those parameters in several ways. There are three main reasons can be put forwards for the market failures in these countries:

Information problems:

Most emerging markets lack in reliable information about availability of goods and services either for the consumers or for the employers in the labour market and investors in the capital market. The employers in the labour market require quality information about the labour, its availability, skills, demand and supply etc. same is also required for capital market for the intending investors. Although consumer goods market provides information to the buyers through different media and advertisement but they are also insufficient as the media penetration is not that much when it is compared to developed countries.

Regulatory Disorder:

In most emerging markets, the regulations are very often linked to political agenda of ruling Parties or they are influxed into political goals over economic efficiencies. It can easily distort the functioning of competitive market. For example, there is restriction on laying off of workers by companies. This rule brings some social stability and in some case, they may even be indented to overcome market failures from other sources. However, the result is that companies are less able to take advantage of opportunities than they are in advanced economies.

Inefficient Judicial systems:

Another important feature that makes emerging markets inefficient is the inefficient judiciary system. Many MNCs are reluctant to expand their business in emerging markets as the are afraid of being vulnerable to a corrupt and inefficient judicial system that not enough strong to enforce the contract with their local partners. The advanced economies provide several institutional forces outside the firm minimizing the sources of market failures. In such a situation companies create value primarily by focusing on narrow set of activities. At the opposite extreme, stagnant or emerging market economies usually suffer from near complete market failure because of the utter absence of basic institutions.

UNDERSTANDING THE MARKET AND ITS CONSUMERS

The very simple thump rule is sell what your consumers want. Until and unless you don't know who are your consumers and what do they really want and what they don't want, the survival of your business is in question. Most people do business on general rule and think that the common characteristics are same in every market, of course this not true. The similarities invariably differ in market to market and country to country. Emerging market like India, China, Brazil, Indonesia have quite different characteristics unlikely markets in developed countries in the west and in United States. Before entering into the markets in these countries MNCs must know the following points:

- The emerging middle class in these countries and the business models to be followed to serve effectively their needs.
- The key characteristics of distribution networks in these markets and how are the network evolving with the time.
- The types of leadership required to foster the opportunities with balance of local and global exposures.
- Should there be consistent strategies required to be followed in different units within the same country?
- The attitude of local partners towards learning of market parameters.
- How does the Emerging middle class perceive foreign brands and product especially?
- The sub-cultural pattern and degree of acceptance within the region.

The very important characteristics of the middle class consumer in these emerging markets are hunger for choice. In India, the middle class remained under suppressed to have choice. Their disposable income was very low and consumer market was dominated by monopoly or oligopolistic powers leaving no room for better choices and quality products. Even after the liberalization most consumer goods market in the upper segment was dominated by few big players making the concentration ratio higher. That was again refraining the consumers from wide choice. In 1980s and 1990s there used to be tight oligopoly in most consumer goods market with concentration ratio more than 60 percent and above. They either dominated the market as their own or with collusive oligopoly or state owned monopoly. That made the market seller dominated leaving little or no choice with the consumer. More over consumers longed for durability of products than other features. The last two decades have seen a dramatic change in the consumers tastes and preferences. The level of disposable income of middle class has increased and they are now capable of paying more for a better quality, demanding brand and quality services. While the upper middle class has been showing it's inclination towards national and global brand, at the same time the lower middle class are still price conscious. Their pockets either don't allow them to pay for a comparatively costlier brand or they remain satisfied compromising with quality with out being charged less.

The success story of LG Electronics in India is quite interesting. Some where in mid of 1994, Korean Consumer Electronics appliances manufacturer Samsung approached Videocon to establish a JV and sell its product in Indian market. Getting the clue from Samsung's India move, LG (it was at that time known as Lucky Goldstar) sent a large and high-powered team to India. The initial impressions were not very good company — low awareness of its brand, poor perception of Korean technology and so on. But the team saw that the Japanese were not too interested in India; Europe and the US were their primary focus. This had made Indian brands complacent, and they lacked the financial wherewithal to come out with cutting-edge technology.

LG also found out that education was very high on the agenda of Indians. The team members knew that it was education that had transformed South Korea from a poor agrarian country into a developed industrial powerhouse in a matter of decades. The same would happen in India, the team reported to its bosses back home. The LG brass was convinced and made up its mind to enter India. As rules did not allow a fully-owned subsidiary, it first tried its luck with Bestavision and then with Chandra Kant Birla. Finally, in 1997, when the foreign ownership rules were relaxed, it came on its own.

Well that was the history of the entry of LG in India, and it was not very much exceptional but what made LG a market leader in Indian Consumer electronics goods market was very much interesting and giving insight to many others lining up to step in emerging markets. The made an intensive study to understand socio-cultural and psychological needs of people. For example, most Indian don't read English, so it launched its mobile hand set with regional languages on its screen. Most Indian families are big as they follow joint family system and hence big audiences sit before TV sets creating high ambient noise. LG introduced Ballad TV with 2000 Watt output that could serve the big audience. For most Indians, Cricket is the second religion and people love watching and knowing more about the game. LG launched Free Cricket game With TV in 1999 and sponsored ICC World cup in South Africa in 2003 so as to win the faith of audience and acceptance of consumers.

But the very important thing the managers of MNCs must consider before the merging middle class in these emerging markets. The middle class of Europe and American markets is different from that of India and other developing countries. Very often the MNCs make mistake assessing the middle class here. They consider it at he same parameter. Of course it is good to think, but reality is different. The middle class in India is not that much affluent as they are in US or in other developed countries. Or this will be quite suicidal to compare the middle class in India, China, Brazil or Indonesia as per western standard. This miscalculation of MNCs pays them severely and results in strategy failures.

A comparative Market Pyramid in India, China and Brazil

Population in million

Purchasing Power Parity in USD	India	China	Brazil
Greater than $20,000	7	2	9
$10,000- $20,000	63	60	15
$5,000- $10,000	125	330	27
Less than $5,000	700	800	105

General Motors made the same mistake that has been discussed above. Considering the emerging middle class, GM launched most of its car it had launched in US for middle class there. But after working more than 14 years, it could grab only four percent share in the passenger vehicle market. Admitting mistakes in its Indian strategy over the past decade, US auto major General Motors had to think on revising it's strategies in the emerging markets. In the beginning of 2011 one of its senior official said that it would focus on developing products that are tailored for the local market to drive a profitable and sustainable growth here.

General Motors international operations president Mr Tim Lee believed that GM in India has made mistakes in the past. It has been inconsistent in its product portfolio plans, and resource allocations," Over the last decade, the performance of the company in India has been "spotty". The company, which launched its locally-developed engines to be utilised for the Indian market and will follow in other emerging markets like Brazil, China and Russia. The company is now making an in-depth study of each market segment. Unlikely the US auto market, the middle class here prefers fuel efficiency and small size family car suited to heavy-traffic congested Indian road. So, auto manufacturers like Maruti, Hundai and Tata Motors are more successful than GM. The middle class or the common man can afford a car that not only suited his pocket at the time of purchase, also when he drives it considering the frequent hike in fuel prices. The same Fiat did in Brazil a few years back by developing a new model called Palio especially for Brazilian. If it thinks to offer a car that falls beyond the price category of $20,000 in India, it is considered luxury segment meant for slightly upper class. The Local Brand in India Maruti's success depended on its strategy of tailoring the product as per the local needs rather going for international standard and brand-image. If GM or Ford Motors thinks to capture a good chunk of market share, it needs to go on the same foot path of the local players by tailoring its products according to the need of emerging markets with adaptation of each market's socio-cultural and economic parameters.

REVISING STRATEGIES FOR EMERGING MARKET:

No doubt building core competencies and focus strategies have been the successful strategies of MNCs in advanced economies and that had paid them in terms of increasing profit margins and capturing market shares with strengthening the positions even in the very much oligopolistic market. But same strategy doesn't always match with the requirement of the emerging markets. Tailoring products or creating a brand that gives a local sense to the consumers is not a tribal task for the companies. The FMCG giant P&G has set a goal of acquiring one billion additional consumers by 2014-15, it comes as no surprise that P&G is focusing on the two most populous nations in the world – China and India. While targeting volumes at lower price-points, P&G has launched lower-priced product extensions of its global premium brands such as Tide and Gillette targeted at consumers with lower disposable income levels in these economies and expanded its distribution network to cover the previously inaccessible rural areas. While the U.S. and Western Europe continue to constitute over 41% and 21% of sales respectively, going forward much of the growth is expected to come from the emerging economies, which have been exhibiting robust double-digit growth primarily on account of expanding middle class with rising disposable income levels and high population growth rates.

It is not only the P&G, there are many MNCs that eye on emerging market to enhance their revenue and boost up the growth rate by double digits. What strategies should they follow? Let's talk some of the strategies more effective for the emerging markets.

Lower Pricing strategies:

Literacy rate in developing economies is very high and the consumers are becoming very much aware of global brands and standard of living but at the same time, not willing to pay the global prices. Consumers in the big emerging markets are far more focused on price performance than their western counterparts. This very phenomenon gives the local competitors of MNCs a competitive edge even though they are not in a situation to compete in terms of quality and standards. The Multi National Publishing Houses like Mcgraw-Hill, Pearson, Thompson etc. are offering the Low Price Editions of their international best selling books in the emerging markets and they are quite successful to grab a big customer. It is interesting to quote that the low quality Chinese electronic goods are giving a tuff competition to well established National and International Brands in India for the lower segment consumer goods market.

Gillette's Himalaya team, a global group based partly in Boston but focused on India, has a deep insight eye on Indian consumer market. In India, about half of men's shaves are done in barbershops where barbers break double-sided blades in two and use them repeatedly (although this quite unsanitary and unhealthy practice) The team's razor-and-blade innovation, they report, involves simplification to the essential features to do the job, an affordable cost through manufacturing innovations, and new way to reach lower-income shavers. They preach health as well as grooming benefits.

P&G Brazil foreshadowed this approach. Ten years ago, P&G's business was dying; employees feared a shutdown. The fastest growing segment of the population was low-income consumers, but P&G's global premium products were not a match. Local teams, taking the purpose and values seriously, felt that they were not improving lives because families were using cheap inferior products or nothing, e.g., still using tedious processes such as washing cloth diapers by hand that kept some family members out of the work force. The team lived with families, scrutinized every P&G process, and created innovative products they dubbed basico (for "essential" in Portuguese). The team felt they were doing good for the world, not just making money for the company. Their strong sense of purpose propelled unprecedented collaboration across functions and with customers, for whom the excitement was captivating. Thus, low pricing strategy is the key element to survive and grow in emerging markets.

Brand Positioning through local affiliation:

Very often the MNCs over estimate their international Brand powers in emerging market but does not work always. There are many stories of brand failures. Kellogg, Reebok, Nike, foreign liquor brands like Hiram Walker, IDI, Seagram & WD Gilbey, how ever in spite of their international brand image they could not survive before India made Liquor brands. Coco-Cola to boos up its sale and increase the market share competing with arch rival Pepsi, it acquired the local brand Thumps Up and made the local Film & Sport stars as its Brand Endorsers. It became successful in its efforts. World famous Jeans brand Levis 501 was launched in India with the local Movie stars Shahrukh Khan and Bipasha Basu. Whirlpool to sell its refrigerators in India made an effective Ad-Campaign by associating local film stars Kajol and Ajay Devgan. There are several such examples which led the international brands. These are few examples which are quite successful for MNCs in new emerging markets and can give an edge to their strategies.

Another strategic move that the MNCs often follow is the Joint Venture with a local firm to enter into the emerging market. There are several MNCs who are quite successful in India began their business here forming JVs with a local firm. Samsung with Videocon, LG first tried its luck with Bestavision and then with Chandra Kant Birla. Finally, in 1997, when the foreign ownership rules were relaxed, it came on its own. Honda of Japan with Hero group, Yamaha with Escorts. Soft drink giant PepsiCo when second time reentered in Indian Market with the joint venture with Punjab Government owned Punjab Agro Industrial Corporation (PAIC) and Voltas India Ltd. This Joint Venture sold and marketed Lehar Pepsi until 1991 when the foreign brands were finally allowed. There is a long list of foreign firms that made entry into Indian market with successful Joint Ventures.

Prominent Management author Late Prof. C.K. Prahlad believed that there can several strategies which MNCs should follow to expand and survive in emerging markets. These strategies include product redesigning, cost restructuring, rebuilding capital efficiency and redesigning packaging etc.

Re-writing the growth stories:

When MNCs find themselves in a situation where the growth opportunities have shrunk in their existing markets and profit margins falling down because of tough competition with domestic rivals, emerging markets give them the hope for keeping the pace of growth to their ever expanding size of business, revenues and profits. Interestingly these three most emerging markets India, China and Brazil together have 40 percent population of the world. In term of GDP Percapita, while Brazil is classified as high income developing economy, China as lower middle income economy and India is a low income economy. Brazil contributes 1.75 percent to the world GDP, India 2 percent and China’s contribution is almost 6 percent. The GDP growth rate of China is almost 10 percent, India 8 percent and Brazil’s is 3 percent. The statistical figures give a broad idea how these three countries are emerging in the face of world that can be recognized a the most promising markets giving bigger opportunities for MNCs to sell their products and services when they find it difficult in their existing markets.

The emerging markets are not only giving opportunity to sell the products for the MNCs, but they are also creating world class employees and skilled labour at lower cost than that of advanced countries. Today, Companies like Coke, Pepsi, Boeing, GE, ABB etc. are reducing the head counts in Europe while increasing Asian employees including Chinese and Indians. More over, the resource transfer is another important features in this countries. The MNCs are transferring their resources to the emerging countries as the market size is increasing here and labour cost is very much in favour of them.

The present era is going to give new edge to the multi national strategies and new dimension to the level of competition among local and foreign firms in emerging markets. MNCs have to rethink on leadership criterion, lowering cost and redesigning products and tailoring its products as per local needs. None of them can be assured of success on their existing model of business. The rapid increase in literacy rate, spread of knowledge and changing pattern of socio-economic system in these countries will certainly provide opportunities and challenges to MNCs that are eying on these emerging markets to expand and consolidate their position.

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CONVERGENCE OF INDIAN ACCOUNTING STANDARDS WITH IFRS: PROBLEMS AND PROSPECTS

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ABSTRACT

A lot of developments taking place in Indian capital market, trade and industry in the post-globalization period have necessitated convergence of Indian accounting standards with International Financial Reporting Standards (IFRS). In order to meet the diversified accounting information needs of the global investors about the Indian corporate houses, the ICAI and the Government of India have already initiated measures for introducing IFRS-converged accounting standards in India. Still there has been much delay in implementation of the same because of a mismatch between the prevailing Indian GAAP and IFRS and conflicting legal and regulatory frameworks in India. To ensure effective IFRS-convergence in India without any further delay, active involvement of all stakeholders in the standard-setting process, proper reform of the regulatory and legal frameworks and development of adequate infrastructure to make the users and preparers of the financial statements well-conversant with the converged standards are very much imperative. The article aims to make a critical deliberation on the world-wide progress of convergence of accounting standards with special emphasis on its significance, the challenges and impediments encountered in course of such convergence process and the prospects for successful convergence particularly in Indian context.

Key Words: *IFRS, Accounting Standards, Convergence, Financial Statements.*

INTRODUCTION

We come across many developed and developing nations with their own independent sets of accounting standards providing many contradictory norms and principles for recognition and measurement of financial transactions and preparation and presentation of financial statements. But since the last decade, when more countries went for globalization of their economies, it was realized by their regulators, investors, companies and accounting firms that divergent accounting standards and reporting practices failed to meet the wide range of information needs of the multiple stakeholders of different jurisdictions of the international economy. This problem becomes more aggravated with a surge in cross border investments and proliferation of financial market across the globe. Multiple types of divergence in financial reports prepared and published by the companies of different countries lead to a high degree of information asymmetry in the capital market causing hurdles on the way of achieving market efficiency. In order to come out of this unwarranted situation, the accounting standard-setters of different countries started to feel a fascination for a common set of accounting standards that are principles-based, internally consistent and internationally converged.

The present article aims to make a critical deliberation on the world-wide progress of convergence of accounting standards with special emphasis on its significance, the challenges and impediments encountered in course of such convergence process and the prospects for successful convergence particularly in Indian context.

Why Convergence of Accounting Standards?

- Different accounting languages for preparation and presentation of financial statements in different countries cause a great problem to the global investors as they have to incur high costs in terms of time, effort and money for translation of the reported information into a comprehensible and comparable language. Convergence of accounting standards enables the companies having operations in different parts of the world to prepare and publish their accounting reports in a language that is universally comprehensible and comparable. It helps the investors in making proper comparison between different investment opportunities in different countries. This facilitates free flow of investment across the globe with minimum friction and reduced risks of adverse selection and moral hazards.

- The adoption of internationally accepted accounting standards by the companies provides them recognition in the international market. This would increase foreign capital flow into the country by way of FPI and FDI. Moreover, the multi-national companies would be able to respond to the human capital needs of their subsidiaries in different parts of the world. All these will have an ultimate effect of overall economic development of the country. A recent global survey made by the International Federation of Accountants (IFAC) reveals that 90% of the respondents (the

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accounting leaders of different countries) agreed that convergence to IFRS is very important or important for economic growth in their countries (http://www.ifac.org/globalsurvey).

- In absence of a core set of global accounting standards, the companies have to bear high costs for preparing multiple sets of financial statements to comply with different accounting requirements of different jurisdictions, while willing to raise capital from international markets. But globally accepted accounting principles may reduce their compliance cost and, at the same time, enhance the credibility of their financial reports that would enable the companies to have an easy access to the international debt and equity markets for raising capital at lower cost. Reduction in companies' cost of capital would help them in accomplishing their goal of maximization of business value also.
- Diversified accounting standards followed by different countries cause a lot of hassles to the enterprises having business operations in those countries in the matters of compliance with different accounting requirements of those countries and preparation of a consolidated financial statement to ascertain their overall financial position and performance. Global convergence of accounting standards eases the process of preparing individual and group financial statements and thereby reduces the hassles.
- Convergence of accounting standards brings benefits to the accounting and auditing firms in a number of ways. First, convergence will minimize the hazards of accounting and auditing caused by diversity in accounting standards of different countries. This would provide the firms enough time and space to improve the quality and reliability of their works on a global scale. Second, with a uniform set of standards being followed by different countries, the accountants and auditors will get an opportunity to achieve world-wide professional mobility.

Convergence of Accounting Standards: World-wide Progress

From the very inception of the idea of global convergence of accounting standards, a pioneering role has been played by the International Accounting Standard Board or IASB (Formerly International Accounting Standard Committee). A number of international accounting standards (IAS), subsequently known as International Financial Reporting Standards (IFRS), promulgated by this body have provided a basis followed by the accounting standard setters of many developed and emerging economies while setting their own accounting standards. These IFRSs may be considered as precursor in the process of global convergence of accounting standards.

In 2000, the International Organization of Securities Commission (IOSO) recommended its members to allow multinational issuers to use 30 "core" IASs in preparation of their financial reports in cross-border offerings and listings. In June 2002, a significant drive towards convergence process was taken by the European Union (EU) when, through its communication entitled "European Union (EU) Financial Reporting Strategy: The Way Forward", it proposed for preparation of consolidated accounts by the listed companies of its member countries in accordance with the IAS. By 2005 all listed companies of the EU-countries were required to prepare consolidated financial statements in accordance with EU-endorsed IFRS whereas the use of the IFRS was left to the option of the non-listed companies.

In the USA also a growing impulse has been found among the regulators, policy makers and standard-setters since many years ago for creation of a common set of principles-based accounting standards. In 2002 the IASB and the Financial Accounting Standard Board (FASB) entered into the Norwalk Agreement to establish a joint commitment to develop a core set of compatible accounting standards. As part of the Memorandum of Understanding, A Road map for convergence between IFRS and US GAAP 2006-2008, the IASB and the FASB have undertaken a joint effort to bring about a common set of high quality global accounting standards and established a plan to align US GAAP-based financial reporting of the US companies with that of companies using IFRS. In November 2007 the Securities and Exchange Commission (SEC) announced that it would allow the foreign private issuers to file IFRS-based financial statements without any reconciliation to US GAAP. In December 2007 the SEC issued Concept Release seeking inputs on allowing the US public companies to prepare financial statements using IFRS. In 2008 the governing council of the AICPA considered amendment of its Code of Professional Conduct to give the US private companies and not-for-profit organizations a choice to follow IFRS in preparation of financial statements.

Besides Europe and the USA, the use of IFRS is garnering thrust in other parts of the world also. At present more than 100 countries either require or allow the use of IFRS in preparation of financial statements by publicly held companies and it is expected that by 2011 more than 150 countries will be the members of the IFRS club in either of three ways: first, adopting the IFRS fully; second, adopting own accounting standards "equivalent to the IFRS" and third, adopting accounting standards based on IFRS with certain modifications considering national interests. South Africa, Singapore, Malaysia, Pakistan, Turkey, GCC Countries, New Zealand and Israel are some of the countries where IFRS are already used. Countries like Australia, Hong Kong etc started to use accounting standards "equivalents to IFRS" since mid-2000s. Some of the leading countries planning to harmonize their national accounting standards with IFRS by 2011 are Canada, Japan, Korea, Brazil, Russia, etc. The journey towards global convergence of accounting standards is still going on and the phases already crossed and yet to be crossed by the journey in arriving at the destination are as follows:

- Phase I (2001-2005): The European Commission felt the need for developing a common financial reporting language. This led to creation of IFRS and adoption of IFRS by more than 8000 companies in the European Union and other parts of the world by 2005.
- Phase II(2006-09): In February 2006, a Memorandum of Understanding was signed by the FASB and the IASB in order to achieve substantial equivalence of US GAAP and IFRS. This phase witnessed a meticulous review of the IFRS by the regulators and different standard setters to identify significant differences in the reporting norms and to address those differences.
- Phase III (Post-2009): In this phase, it is expected that there would be a high level of coordination among different standard setters of different countries under the supervision of IASB in the matter of promulgation of a set of uniform standards. Even the importance for separate existence of the FASB would gradually diminish.
- Phase IV (In the long run): The FASB would be merged with the IASB and there would be a single global standard setter and a single set of accounting standards globally applicable to all entities.

POSITION OF INDIA

A lot of remarkable developments have been witnessed by Indian economy in the post-globalization era like increasing participation of the FIIs in capital market, launching of derivative instruments, spiraling growth in FDI, introduction of GDR and ADR enabling the Indian companies to raise capital from international markets, overseas acquisition by the Indian companies and so on. This cannot let India remain aloof from the ongoing movement of global convergence of accounting standards. In order to reap the benefits of such convergence, the Institute of Chartered Accountants of India (ICAI) has already taken a great stride to revise the existing accounting standards to make them compatible with the IFRS. The Institute has already declared a roadmap for applicability of the converged accounting standards by certain specified classes of companies (listed entities, unlisted entities with net worth exceeding Rs.500crore, entities whose shares or other securities are listed on stock exchange outside India, banks and insurances) in three phases with effect from the financial years commencing on or after April 1,2011. These phases are:

Phase I:

Conversion of opening balance sheets as at April 1, 2011 by all companies included in NSE Nifty and BSE Sensex, the companies whose shares or other securities are listed on stock exchange outside India and the companies, listed or unlisted, having net worth in excess of Rs.1000crore.

Phase II:

Conversion of opening balance sheets as at April 1,2013* by the companies , listed or unlisted, having a net worth exceeding Rs.500crore but not exceeding Rs.1000crore.

Phase III:

Conversion of opening balance sheets as at April 1,2014* by the listed companies having a net worth of Rs.500crore or less. Unlisted companies falling in the same bracket of net worth will continue to follow the existing accounting standards although they may voluntarily opt to follow the converged accounting standards.

However, the applicability of converged accounting standards as per the above roadmap has been deferred.

The Government of India has also given importance to harmonization of the Indian accounting standards with the IFRS. In 2006 after receiving recommendations of the National Advisory Committee on Accounting Standards (NACAS), the Government adopted a policy of requiring the Indian companies to follow the notified accounting standards which would be at par with the IFRS. On January 22, 2010 the Ministry of Corporate Affairs issued a press note on transition to converged accounting standards which fully accepted the ICAI roadmap for convergence. The ministry also decided to carry out necessary amendments in the Companies Act (e.g. Schedule VI and XIV) and accounting standard rules to facilitate convergence. The Central Government has replaced the existing Schedule VI to the Companies Act, 1956 by a revised one (vide Notification No. S.O. 447(E) dated 28th February 2011) which shall be effective from 01-04-2011 i.e., from the financial year 2011-12 onwards. Although the Revised Schedule VI is based on existing accounting standards, it would ease adoption of converged accounting standards because many disclosure requirements under IFRSs which are not there in the existing Schedule VI have now been incorporated in the Revised Schedule VI.

A Few Critical Issues in Convergence Process

Potential Clash with Domestic Economic, Regulatory and Legal Systems

A question may arise as to whether the regulators, policy makers and judiciary system of a country would well accept the abandonment of its prevailing national standards for the sake of adopting IFRS-convergent accounting standards.

There is no doubt about the fact that economic conditions, legal and regulatory environments and ideological and political views about financial disclosures significantly vary from country to country and these factors are recognized by the national standards. But convergence of accounting standards with IFRS may bring about considerable clash and conflict in those areas. Since the prime objective of the government, regulatory authorities and the legal institutions of every country is to protect the interests of the investors and other stakeholders of financial statements to the maximum extent, they need to adopt a pragmatic and proactive attitude on this issue. They should take all possible steps to evaluate the proposed standards converged with the IFRS in the light of the existing economic conditions and regulatory and legal frameworks, find out the areas where conflict may arise and initiate appropriate measures to avert any potential conflict in application of the new standards. Of course, this is a challenging task.

Fair Value

Another critical issue being encountered in convergence process is fair value basis of measurement of assets and liabilities on which IFRS has laid much emphasis. Fair value being a market price-based measurement tends to change because of changing market prices and this results in unrealized gains / losses. Recognition of such gains / losses in the income statement may lead to greater volatility and unpredictability in earning. Thus instead of being a steady function of turnover and expenses only, earning depends on some other factors like changes in fair value of the assets and liabilities and time value of money. This may pose a great challenge to the accountants in the matter of consistent tuning of profit planning and budgeting to incorporate the effect of income volatility. Moreover, some experts opine that fair value may fail to provide reliable information in absence of any liquid and vibrant markets for the assets and liabilities and non-availability of knowledgeable, independent and economically rational market participants. Under this situation, management is compelled to estimate fair value of such assets either by using current fair value of any surrogate asset or by using discounted cash flow technique which are highly subjective and potentially unreliable and biased.

Corporate Inertia

The quality and contents of the companies' financial reports are not only guided by accounting standards but also influenced by a number of other factors like the requirements of the national legal institutions and regulatory bodies, product market competition, wide range of information needs of different classes of stakeholders and the companies' business practices and management policies. If in view of the aforesaid matters, the companies perceive their existing accounting practices to be at a satisfactory level to provide adequate and quality information, inertia may grow among the companies to adopt new accounting standards.

Cost-Benefit Trade-off

Adoption of IFRS-converged accounting standards requires the companies to incur sizeable upfront costs for introducing new accounting software, taking expert services of the professional accountants, training of the employees and other stakeholders, etc. In the current economic crisis situation, many firms may be reluctant to incur such substantial amount of costs. But to the firms with operations in different parts of the world, incurring these costs generates financial benefit in the form of saving the costs of translating their financial reports into multiple accounting languages. Since the transition cost is one time whereas the financial benefits are of modest but recurring nature, it calls for a trade-off between such cost and benefit of transition to a new system. That whether the net effect of this cost-benefit trade off would be favourable to the companies and the economy as a whole is a critical issue as it depends on how one chooses to weigh the future benefits against the current costs.

Hurdles on the Way of Convergence in India

In India over last few years incessant brainstorming on introduction of accounting standards converged with IFRS has been going on; but unfortunately India is still lagging behind in this respect even though the prevailing accounting standards are mostly IAS/IFRS-based and we can boast for our IT and accounting skills to adopt the new standards promptly and properly. Such delay in convergence process may be attributable to two major factors: (i) Conflicts between IFRS requirements and present Indian GAAP on many accounting issues and (ii) Conflicting legal and regulatory frameworks.

Conflicts between IFRS Requirements and Present Indian GAAP

- Now in India accounting for a transaction is generally guided by its legal form and the terms and conditions of the associated contract. But IFRS is based on the principle that if information is to represent faithfully the transactions and other events that it purports to represent, they are to be accounted for and presented in accordance with their economic substance instead of their legal form.
- The preface to the Indian accounting standards clearly provides that in case of any conflict between a particular accounting standard and any provision of a law, the legal provision will prevail and the financial statement is to be prepared in accordance with that law instead of the accounting standard. But it would be treated as non-compliance with IFRS if the financial statement ignores any norms and principles under IFRS in keeping conformity with such law.

- IFRS allows the companies to adopt three approaches for reporting gains and losses, viz. (i) recognizing gains and losses fully in the income statement, (ii) recognizing gains and losses in the equity reserve account and (iii) the corridor approach where gains and losses beyond a certain corridor level are recognized. But as per the prevailing Indian GAAP, only one approach is available to the financial statement preparers for reporting gains and losses, i.e., recognizing actual gains and losses fully in the income statement.
- The disclosure requirement under the Schedule VI to the Companies Act is more concerned with quantitative information rather than qualitative information like terms of related party transaction, risk management policies, etc. to which IFRS provides more importance.
- In order to provide true picture about the liquidity position of a firm, IFRS requires proper classification of all assets/liabilities into two categories: (i) Current and (ii) Non-current. But the present Indian GAAP is not so precise regarding such classification particularly when it allows long term deposits, loans and advances to appear under the head "Current Assets, Loans and Advance" in the Balance Sheet. Further, the Indian balance sheets do not make any proper classification of the loan liabilities from current / non-current point of view. This goes against the IFRS norms in the matter of reflecting true liquidity position of the company.
- IFRS calls for certain requirements like componentization of property, plant and equipment and charging depreciation, revision of the cost records of property, plant and equipment to replace their historical / amortized costs with fair value, measurement of amortized cost of financial instruments having scheduled cash flows, decomposing compound financial instruments, application of impairment analysis on loans and receivables in place of standardized provisioning, and so on. These are quite unfamiliar to the present Indian GAAP.
- The Indian GAAP requires separate disclosure of extra-ordinary items having material impact on the financial decision making of the stakeholders and disclosure of the impact of such items on the financial results of the entity. But IFRS considers all events / transactions that arise in the ordinary course of business and if any exceptional event or transaction is there, IFRS allows its separate disclosure but not under "extra-ordinary" items.
- Under the IFRS any rectification of prior period errors are incorporated in the accounts of the year to which it pertains, irrespective of whether audited and adopted by the shareholders, whereas under the Indian GAAP these are separately shown as prior-period adjustments in accounts of the current year.
- Under the present Indian GAAP, the reporting entities prepare and present their financial statements in Indian currency even though a significant part of the transactions take place in foreign currency. But IFRS specifically requires use of functional currency (i.e., the currency in which a firm substantially operates) in preparation and presentation of financial statements to ensure better reflection of the economic environment having impact on the financial position and performance of the entity.
- The Indian GAAP requires a company to provide for proposed dividend in the financial statement even though such dividend is declared by the company and approved by the shareholders after the balance sheet date. But under the IFRS, dividend can be shown as a liability in the financial statement of the period in which it is declared and approved.

Conflicting Legal and Regulatory Frameworks in India

- The format for presentation of financial statements as prescribed by the existing Schedule VI to the Companies Act is largely different from that prescribed under the IFRS. Moreover, many items are there regarding presentation of which we find a mismatch between the requirements of the existing Schedule VI and IFRS. For instance, the existing Schedule VI requires redeemable preference share capital to be shown as equity of an entity whereas IFRS requires it to be shown as a debt item which affects profitability and financial leverage position of the company.
- The RBI provides for certain guidelines regarding provision for non-performing assets, valuation and classification of investments, etc which are not compatible with the corresponding IFRS norms and principles.
- The SEBI provides guidelines in respect of disclosure of and presentation format for periodical financial results to be followed by the listed companies which are not in consistence with IFRS in a number of cases. For example, consolidated financial statement is a requirement under IFRS whereas Clause 41 of the Listing Agreement permits companies to publish standalone quarterly financial results.
- Convergence with IFRS raises certain issues which may have tax implication but the prevailing Income Tax Act remains silent on the same. For instance, fair value measurement of financial instruments results in unrealized gains or losses under IFRS. Regarding tax treatment of such unrealized gains or losses, the present Income Tax Law contains no provision.

THE WAY FORWARD

In order to formulate appropriate action plans to create conducive environment for effective implementation of the IFRS-converged accounting standards in India, the ICAI has already classified the existing IFRS into the following four broad categories keeping in view the inconsistency between the existing Indian GAAP and IFRS, the extent of inapplicability of the IFRS in the present legal and regulatory framework and the acceptability of the IFRS to the companies and professionals:

(i) IFRS with no or minor inconsistencies that can be adopted in near future (e.g., borrowing costs, inventories, etc.).

(ii) IFRS for adoption of which the industries and professionals need some time for becoming technically prepared (e.g., Share-based payments, Non-current assets held for sale, etc.).

(iii) IFRS having conceptual conflicts with the corresponding Indian accounting standards and, therefore, requiring more deliberations with the IASB for resolving the differences (e.g., consolidation, joint ventures, provisions and contingent liabilities).

(iv) IFRS not applicable in the present legal and regulatory framework and, therefore, calling for necessary changes in laws and regulations before their adoption (e.g., property and equipments, first time adoption of IFRS).

Phase-wise introduction of the converged accounting standards is another step towards successful convergence of Indian accounting standards with IFRS. The convergence roadmap drawn by the ICAI requires the high net worth companies to adopt the new standards in the first phase of transition to convergence as those companies would be able to bear the initial cost of convergence and wait for obtaining the “net economic benefit of IFRS”. This would enable the regulators, auditors and other companies to gather information about the costs and benefits associated with the adoption of the converged standards. Moreover, the accountants and auditors would be able to acquire practical knowledge and experiences in the first phase of transition which they can apply in subsequent phases of convergence. This will reduce the transition costs for smaller net worth companies in the subsequent phases.

Another silver lining on the way towards convergence of Indian accounting standards is the recent revision of Schedule VI to the Companies Act, 1956 which has been made in line with the requirements under IFRS. The most remarkable change brought about by the Revised Schedule VI is allowing supremacy of the accounting standards over statute – an important mandate of the IFRS. Moreover, the Revised Schedule VI aims to remove the existing conflicts between the requirements of the statute and IFRS in the areas of format of financial statements, classification of assets and liabilities into current and non-current categories, disclosure of proposed dividend and so on.

While developing converged standards, it is very much imperative to pay equal attention to the demands of the global users of financial statements as well as to the interests of the domestic stakeholders and national interests. In order to prevent undue influences of the policy makers on the convergence process and make it free from any political bias and motives and to ensure preparation of high-quality standards with substantial equivalence to the IFRS, active participation of the representatives of the investors, corporate accountants, auditors, regulatory bodies, etc. in the standard setting process is needed in a much more robust and thorough way.

While setting the converged standards, due consideration should be given by the standard setters to certain pertinent issues in order to satisfy the diversified requirements of the financial statement users:

- Purely principle-based standards ignoring rules cannot produce reliable and useful information under all circumstances. Further, rules-based accounting standards make companies too much rules-oriented in their operations. There should be a prudent balance between principles and rules in preparation of new accounting standards.
- Both accountants and auditors should be given liberty to exercise judgment consistent with the intent of standards over rules. They have professional knowledge and experience to apply the spirit of the broad principles while deciding how to account for a transaction and report financial and other information. Standards that allow exercise of the judgment will produce more reliable and more useful information.
- The standards should ensure that the financial statements provide significant information for measuring the operational performance and efficiency, predicting earning potential and business prospect, estimating futures risks and appraising quality of management.
- The accounting standards and norms should be less stringent, less inexplicable and more simplified so that no confusion does arise among the financial statement preparers and users.
- The standards should be more practical-oriented. Field-testing of standards may enhance the quality of the financial reports.
- The standards should be convenient for electronic-reporting.

CONCLUSION

Companies will find comfort in using accounting standards converged with IFRS if their accountants, auditors, shareholders and other stakeholders along with the rating agencies and investment analysts are conversant with such new standards. It is true that during the transition period some problems may have to be faced by any of the aforesaid persons due to lack of adequate knowledge and experience. But such problems can be mitigated if the professional institutes and industry groups take initiative for imparting intensive training to the accounting and auditing professionals on the theoretical concepts of the new standards and their practical implications and applications. A proper co-ordination among the standard-setters, regulators, industrial accountants, auditors and the educational institutions is very much needed in framing out comprehensive curriculum in this area and developing appropriate teaching methodology to generate future accountants well-conversant with new standards.

India has a great potential to be a super power in the world economy. Since the last decade there has been a significant influx of the foreign investors in our country. The giant Indian companies are also found to considerably expand their offshore business activities. In this scenario, an early introduction of high quality accounting standards convergent with IFRS in India is of utmost importance. Considering the significant contribution of the convergence of accounting standards with IFRS to the economic growth of our country, the government, regulatory authorities, legal institutions, standard-setters, corporate bodies and the accounting professionals should be guided by a common objective that is formation, promulgation, adoption and assimilation of the IFRS-converged accounting standards in a right manner and at a right point of time.

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EMPOWERING WOMEN THROUGH MICROFINANCE: EVIDENCE FROM INDIA

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ABSTRACT

Microfinance programs have been increasingly promoted in India for their positive economic impact and the belief that they empower women. Within the South Asian context, women empowerment is a process in which women challenge the existing norms and culture, to effectively improve their well-being. The article investigates the impact of microfinance on women's empowerment.

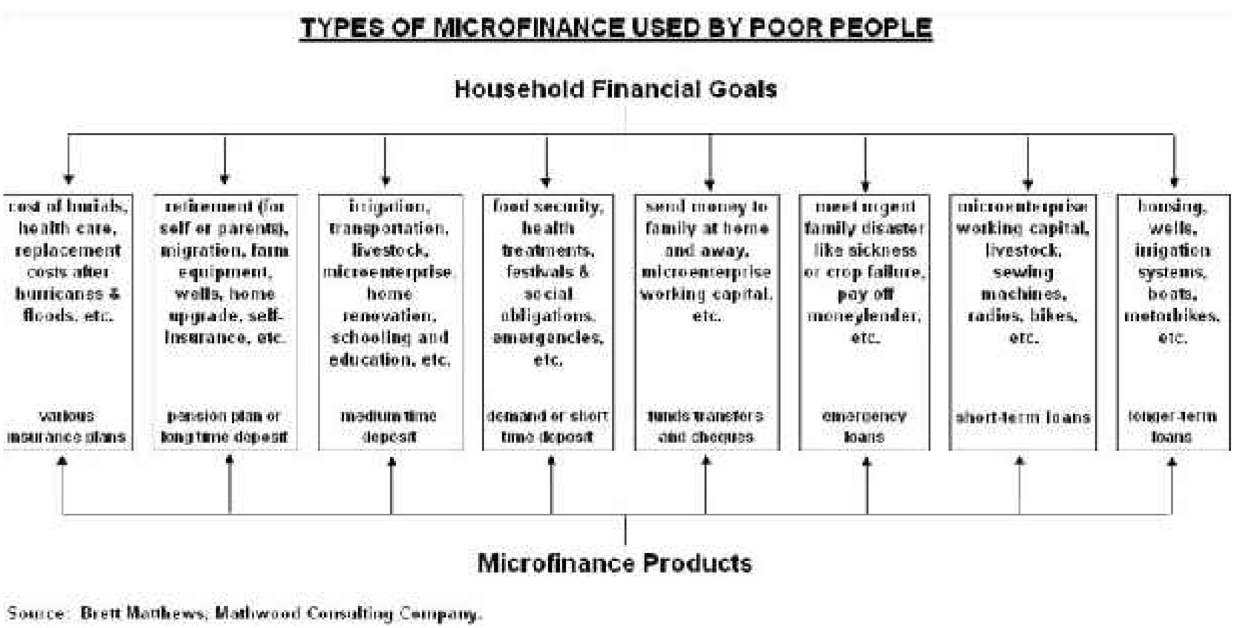
Keywords: *Micro-finance, Women empowerment*

INTRODUCTION

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers." Those who promote microfinance generally believe that such access will help poor people out of poverty. Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'.

Objective of the Study:-

The study has the following objectives:



1. To study the impact of micro-credit services provided by financial services.
2. To study the role of micro finance in women empowerment in India.
3. To find out the effectiveness of Micro finance services in women empowerment.

Impact:-

Common areas of impact considered by microfinance organizations operating in developing countries include:

- Increase of personal income
- Empowerment of women
- Improvement in nutrition
- Increased education of the borrower's children
- Access to clean water
- Increased access to medicine

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These are different from the common areas of impact in domestic microfinance organizations:

- Creation of jobs
- Business growth
- Increased income to the business owner
- Improved credit rating
- Graduating from social support programs
- Overall improvement of quality of life.

WOMEN'S EMPOWERMENT

Micro credits reinforce women's traditional roles or promote gender equality. A woman's practical needs are closely linked to the socially defined gender roles, responsibilities, and social structures, which contribute to a tension between meeting women's practical needs in the short-term and promoting long-term strategic change. By helping women meet their practical needs and increase their efficacy in their traditional roles, microfinance may in fact help women to gain respect and achieve more in their socially defined roles, which in turn may lead to increased esteem and self-confidence. Although increased self-confidence does not automatically lead to empowerment, it may contribute decisively to a woman's ability and willingness to challenge the social injustices and discriminatory systems that they face. This implies that as women become financially better-off their self confidence and bargaining power within the household increases and this indirectly leads to their empowerment.

WOMEN AND MICRO FINANCE

Especially for poor women, micro enterprise ownership has emerged as a strategy for economical survival. One of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial services. For various reasons, women have had less access to these services than men. In this context, credit for micro enterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary. Regarding limited-access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to a narrow range of low-return activities which require minimal capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials.

In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.

Surveys have shown that many elements contribute to make it more difficult for women in small businesses to make a profit. These elements are:

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate bookkeeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually run their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

In order to facilitate the participation of women in micro and small enterprise, donors should:

* Encourage micro enterprise programmes to develop specific strategies for recruiting women as clients from within their existing target groups.

* Encourage micro enterprise programmes to expand their target groups to include the sizes and types of enterprise activities in which women engage and/or experiment with assistance strategies, business and technical assistance needs of these types of enterprises.

* Consider expanding support to a broader range of organizations, especially poverty-focused organizations active in rural areas. Support for these organizations should include technical assistance and training in programme planning, management and in developing teams of female staff to assist clients in business planning and management.

CONCLUSION

It is difficult to say which factors are more important for empowering women. The differences in pace of empowerment might be a result of various factors: household and village characteristics, cultural and religious norms within the society, behavioral differences between the respondents and their family members; and the kind of training and awareness programs that women have been exposed to. Microfinance approach is not sufficient, additional services like training, awareness raising workshops and other activities over and above microfinance programs that merely focus on financial services are also an important determinant of the degree of its impact on the empowerment process of women. Future research needs to identify which factors have a greater impact on women's empowerment.

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EXPORTING TEXTILE: IMPORTANT FACTORS AND HURDLES – A STUDY OF BHILWARA REGION

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ABSTRACT

The Indian Textile Industry is one of the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment providing employment to 35 million people directly and indirect employment to another 45 million of people for its livelihood. The Indian textile industry largely depends upon the textile export. It also plays a major role in the economy of the country. Indian earns about 27% of its total foreign exchange through textile exports. The present research is done in Bhilwara district of Rajasthan keeping following two objectives in mind first, to find out important factors for exporting textile and second to find out problems faced by exporters while exporting textile. Many problematic factors came out in this research which are becoming major hurdles in exporting textile some of them were exporter's internal problems and some of the problems were external problems like government policy, govt. support etc.

Keywords: *Textile, Export, Recession, Government Policy, Competing countries.*

INTRODUCTION

The Indian Textile Industry is one of the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment. This sector is second largest sector after agriculture sector in India. According to Annual Report 2010-11 of the Ministry of Textiles this sector accounts for nearly 4% of gross domestic product (GDP) of Indian economy, 14% of industrial production, 9% of excise collection, 18% of employment in the Industrial sector and 16% of the country's total export earnings with direct linkages to rural economy and the agriculture sector. It has been estimated that textile industry provides employment to 35 million people directly and indirect employment to another 45 million of people and one of every six households in the country depends on this sector either directly or indirectly for its livelihood. The textile industry in India enjoys a distinctive position due to the pivotal role it plays by way of contribution to industrial output, employment generation (second largest after agriculture) and export earnings of the country. The industry is rich and varied, embracing the hand-spun and hand woven sector at one end and the capital intensive, sophisticated mill sector at the other. Its association with the ancient culture and tradition of the country lands it a unique advantage in comparison with textile industry of other countries, thus giving it an uncommon edge to cater to a vast variety of products and market segments both domestically as well as globally. The Indian Textile Industry is estimated to be around US$ 52 billion and is likely to reach US$ 115 billion by 2012. The domestic market is likely to increase from US$ 34.6 billion to US$ 60 billion by 2012. It is expected that India's share of exports to the world would also increase from the current 4 per cent to around 7 per cent during this period. This industry in a very short span had made a distinct position globally, alluring the globe towards the 'World of Indian textiles'. This has happened mainly because high availability of raw materials, highly skilled economical labor, an added advantage, largest producer of cotton yarn contributing 25% towards worlds cotton, availability of all kinds of fibers like silk, cotton, wool and even high quality synthetic fibers, flexibility of the readymade garment industry in terms of sizes, fabric variety, quantity, quality and cost.

Status of Textile Industry in Rajasthan

Textile is an important industry in Rajasthan accounting for nearly 20 percent of the investment made in the state. Rajasthan contributes over 7.5 % of India's production of cotton and blended yarn (235,000 tones in 2003-03) and over 5% of fabrics (60 million square meters). Rajasthan has a leading position in spinning of polyester viscose yean and synthetic suiting and processing. Bhilwara has specially emerged a leading center for processing of synthetic fabric, specially suiting of mixed fiber i.e. cotton and synthetic. Its share in the polyester/viscose fabrics (suiting) sector is around 50 per cent in India. Rajasthan is also famous for printing and dying of low cost, low weight fabric. Jodhpur, Pali, Balotra, Jasol and Bituja are the major clusters of small scale industries engaged in printing and dyeing of low cost fabric. Around 1640 industries are presently operating in these clusters. Bhilwara has emerged as India's largest manufacturer of fabrics, 69 out of 892 spinning mills in India are located in Bhilwara district. It is also known as Textile City of India, it is a famous industrial town in Rajasthan. It encompasses 50 percent of the total polyester fabrics and suiting's manufactured in India. The state Government of Rajasthan has proposed to allot 300 acres of land in Bhilwara. The major industry in Bhilwara is textiles, with more

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than 400 manufacturing units in the town. There is also a huge cloth market. Bhilwara city is one of the most important industrial centres in Rajasthan. The region is the hub of textile industries in the state and Bhilwara is well known as “Textile City”.

OBJECTIVES

Despites strong position of exporters of textile from Rajasthan exporters face many problems while exporting textile and what are the important factors that exporters consider as important, keeping this in mind a survey was conducted among exporters of textile in Bhilwara district to fulfill the following objectives of this research.

(i) To find out important factors for exporting textile

(ii) To find out problems faced by exporters while exporting textile

SAMPLE SELECTION

In all there are nearly 90 units are currently running in Bhilwara including spinning units, weaving units, technical textile, merchant exports and readymade garment units. Out of these 45 exporters were chosen randomly and survey was conducted among them. A questionnaire regarding export status, their problems and prospects was prepared and responses were collected from them.

RESEARCH METHODOLOGY

After collecting data, analysis of responses was done and frequency for each statement form each scale point was calculated and thereafter means scores were calculated and ranks were given to statement in each category to know about importance of factor and severity of problem and comparative analysis of each statement. The mean score calculated shows the extent of important of a particular factor and severity of a problem.

ANALYSIS AND INTERPRETATION OF DATA

The data collected form exporters of Bhilwara region in questionnaire was analyzed using appropriate software. The analysis of data, its interpretation along with discussion in given below in the following section.

Table 1: Statistics about sampled exporting firms

Parameters	Statistics		
	Min.	Max.	Average
Total Investment in Plant and Machinery	3 crore	185 Crore	60 Crore
Total Turn Over	5 Crore	532 Crore	354 Crore
Total Turn Over from Exports	2 Crore	350 Crore	175 Crore
Number of Years in Textile Exports	9	16	11.30

The above table shows various statistics about exporters who was selected for present survey. The above table reveals that minimum investment in plant and machinery was 3 crore and maximum was 185 crore with average investment in plant and machineary of Rs. 60 crore of 45 sample units. Minimum total turn over of selected textile units of Bhilwara was Rs. 5 crore and Maximum was 532 crore with average turn over of 354 crore. Minimum total turn over from exports of these sample units was Rs. 2 crore with maximum of 350 crore and average turnover from exports was 175 crore. These sampling units were in textile export with an average of 11.30 years, the minimum experience of exports was 9 years and maximum of 16 years.

Important factors for exporting textile

A question was asked about what factors exporters consider as important for exporting textile. In all total 11 factors were given to them and it was asked to rate them on 5 point scale (5 = Important to a great extent to 1 = Not important at all). The mean score on 5 point scale of various factors are given in the following table with rank of factor.

Table 2: Important factor in exporting textile

Factors	Mean	Rank
1. Product Quality	5.00	1
2. Packaging	3.29	2
3. Range of Products	3.09	3
4. Exposures in international fairs and Events	2.82	4
5. Competitive Prices	2.69	5
6. Brand Reputation	2.60	6
7. Quick Delivery	2.42	7
8. Quick Response system	1.91	8
9. Convenient channel for purchasing	1.49	9
10. Advertisements	1.33	10
11. Discounts	0.96	11

The above table shows ranking of factors according to their importance in view of sampled textile exporters of Bhilwara, along with mean scores. The mean scores shows up to what extent the said factor in important and the rank shows among the eleven factors given to them which factors are most important and which factors are least important. The following section discuss these factors individually according to rank given to them by sample units.

Product quality

Quality needs to be defined firstly in terms of parameters or characteristics, which vary from product to product. For example, for a mechanical or electronic product these are performance, reliability, safety and appearance. For pharmaceutical products, parameters such as physical and chemical characteristics, medicinal effect, toxicity, taste and shelf life may be important. For a food product they will include taste, nutritional properties, texture, and shelf life and so on.

Hence quality is the most important factor for any merchant to sale his/her product especially when you are exporting certain product and when you are competing with various countries as your competitors. And in our survey this also comes out as the top most factors to which exporters consider as most important while exporting textile to other countries.

In this analysis the most important factor for export of textile comes out to be product quality with mean score of 5.0 and on the first rank among the given factors, which means that all the exporters consider product quality as most important factor for exporting textile.

Packaging

The second most important factor that exporters consider important is good packaging Packaging also refers to the process of design, evaluation, and production of packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

Hence a good packaging is must for exporting textile, because if packaging is not good the exported material may be deteriorated due to handling, whether or it may be lost or reached to wrong destination if proper labeling is not done. Therefore good packaging and proper labeling must be done before exporting the product. The mean score obtained by this factor was 3.29 out of maximum 4 and come to second rank among important factors for export, which means that this factor is also considered highly important while exporting their product.

Range of Product

The third important factor among the list of 11 important factor was Range of Products with mean score of 3.09. This score lies between 3 and 4 which shows that exporters considers this factor as important factor for exporting textile.

Hence range of product is also important factor for exporting the textile. If you are offering range of product along with quality and good price then it will become difficult for competitor to compete with you.

Exposure in international fairs and Events

The appeal of trade events is extensive as trade Shows and events have a detailed history of bringing together traders and customers. This is an effective marketing tool in order to create brand awareness for them. It presents companies with the opportunity to generate brand awareness to potential customers that they might not be able to reach using other promotional methods.

Trade shows are a way for companies can encourage and develop current relationships. Exhibitions give the opportunity for buyers to relay positive criticism, they also obtain the assurance that the product that they've bought are still promoting their products and services and looking to encourage further brand awareness.

In our survey this factor comes on rank 4 with mean score of 2.82, which shows that exporters consider this factor important to some extent. In fact almost all the exporters that are selected for survey attend international fairs and event. According to them it give them opportunity to advertise their product, to observed their competitors products and prices and making new relations for their business.

Competitive Prices

Competitive price means a price lower than that offered by the competitors, or a price made more attractive because of added incentives, such as longer payment terms. Setting the price of a product or service based on what the competition is charging. Competitive pricing is used more often by businesses selling similar products, since services can vary from business to business while the attributes of a product remain similar. This type of pricing strategy is generally used once a price for a product or service has reached a level of equilibrium, which often occurs when a product has been on the market for a long time and there are many substitutes for the product.

The competitive price factor comes on the fifth rank with mean score of 2.69. This also shows that exporters consider this factor also as important factor to some extent.

Brand Reputation

Brand reputation and quick delivery are also important factors for any business. Brand reputation is built when your product quality is good and it offers range of products on competitive prices. Brand reputation is built when you offer good quality products consistently. Hence this factor was also considered as important factor by exporters for exporting textile with mean score of 2.60 on the sixth rank.

Quick Delivery

Any customer who has ordered the product also requires quick delivery of order product. If product is delivered on time it gives immense satisfaction to him, hence quick delivery of order product is must. Good quality products offered at good prices but delivered late make whole exercise futile. Hence this factor was also considered as important by textile exporters of sampling units with mean score of 2.42 and on the seventh rank among 11 factors.

Quick Response System, Convenient Channel for Purchasing and Advertisement

Quick response system, convenient channel for purchasing and advertisement were least preferred or considered as

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least important factors by exporters with means scores of 1.91, 1.49 and 1.33 respectively and ranking eighth, ninth and tenth respectively.

Problems Faced By Exporters

Textile Industry is one of the largest manufacturing industry of India. It has great opportunities for growth and expansion both domestically and internationally. India's textile industry is mostly characterized with export to many retailers around the world executed mostly through export houses and procurement/commissioning offices of large global apparel retailers. Though Indian textile industry is growing at a very fast rate, it has many opportunities that can be managed and utilized when various problems relating to exports and other areas are solved and taken care of and this is one of the aim of our study i.e. to find out what problems exporter are facing while exporting textile.

Various factors were given sampling units to rate the problems faced by them while exporting textile. Top ten problems faced by exporters while exporting their products are discussed below.

Table 3: Problems faced while exporting textile

Factors	Mean Score	Rank
1. High power cost	4.49	1
2. Recession in Foreign Market	4.33	2
3. Insufficient support provided by the government	4.16	3
4. Strong international competition	4.09	4
5. Government Policies	4.00	5
6. Poor Product design and style for export markets	3.87	6
7. Lack of Government assistance in overcoming export barriers	3.87	6
8. Corruption in Government Institutions	3.73	8
9. Foreign government rules and regulations	3.60	9
10. Ineffective communication with overseas customers – Language and Culture barrier	3.58	10

Table 2 given above shows the mean scores of various problems in order of their severity. The responses were valued at the scale from 1 to 5 with extreme taking higher value. The mean value of each problem statement was used to determine the extent to which a certain problem is associated with high, moderate or low degree of severity.

High Power Cost

Table 4: High Power Cost

Options	%
To a great extent	62.22
To some extent	24.44
To a little extent	13.33
To a very little extent	0.00
Not at all	0.00
Total	100.00

Table given above shows that 62.22% exporters say that high power cost is main hurdle in their export, 24.44% say that this problem is severe to some extent and remaining 13.33% think that this problem is severe to little extent. If mean score is observed then this problem have got mean score of 4.49. This score shows that on an average level this problem is severe.

A study by International Textile Manufacturers Federation revealed high power costs in India as compared to other countries like Brazil, China, Italy, Korea, Turkey and USA. Also percentage share of power in total cost of production in spinning, weaving and knitting of ring and O-E yarn for India ranged from 10 percent to 17 percent, which is also higher than that of countries like Brazil, Korea and China. Recently The Government of Rajasthan has increased the rates of electricity making the problem more serious. Hence with increase in the cost of power the overall cost of production is also increased which makes the exporter less competitive with other competing countries of the world where cost of power is less.

Recession in Foreign Market

In economics, a recession is a business cycle contraction, a general slowdown in economic activity. During recessions, many macroeconomic indicators vary in a similar way. Production, as measured by gross domestic product (GDP), employment, investment spending, capacity utilization, household incomes, business profits, and inflation all fall, while bankruptcies and the unemployment rate rise.

Table 5: Recession in Foreign Market

Options	%
To a great extent	60.00
To some extent	13.33
To a little extent	26.67
To a very little extent	0.00
Not at all	0.00
Total	100.00

The second major hurdle indicated by the respondents was recession in the foreign market. 60% of the respondents say that this problem is severe to a great extent, 13.33% say that this problem is severe to some extent and 26.67% say that this problem is sever to a little extent. If overall mean score is observed this comes out to be 4.33, which above the moderate level and shows that this is a major hurdle in exporting textile.

Insufficient support provided by the government

Table 6: Insufficient support by the Government

Options	%
To a great extent	40.00
To some extent	35.56
To a little extent	24.44
To a very little extent	0.00
Not at all	0.00
Total	100.00

The above table shows that 40.00% of the respondents think that insufficient support provided by the government is problem to a great extent, 35.56% think that this is a problem to some extent and remaining 24.44% say that this problem is to a little extent. If overall mean score is observed it comes out to be 4.16.

When it was asked to tell about the specific problems where they want support form government, then following issues were come out – The power tariff of the state is a bottleneck. The power rates in the state are higher as compared to other major textile producing states like Tamil nadu, Maharashtra, M. P. and Karnataka which causes extra burden of Rs. 5/- per kg in the cost of yarn manufactured.

Rajasthan is land locked center and at considerable distance from the sea ports, the exporters have to bear extra cost of Rs. 2/- per kg for transportation of finished material for exports to Sea ports. There is scarcity of water, which is a raw material for the industry. There is no provision of water in any of Government's water supply scheme for the industrial units. The process industry in Bhilwara requires about 2 crore liters of water per day and all this is managed by the Industry on its own. Transportation problems – There is no broad gauge rail track facility in Bhilwara therefore all the exportable containers have to be sent by road and in this exporters have to pay extra freight. Because of this one local port is also not functioning.

Strong International Competition

Table 7: Strong Internal Competition

Options	%
To a great extent	60.00
To some extent	2.22
To a little extent	24.44
To a very little extent	13.33
Not at all	0.00
Total	100.00

Maximum 60.00% of exporters think that strong international competition is a threat to a great extent for the export of their textile material, 2.22% think strong international competition is problem to some extent, 13.33% think that this is the problem to a little extent whereas 24.44% think that this problem is problem to a very little extent. The overall mean score for this factor was 4.09 which suggest that problem is important enough to be pondering up on.

Indian textile exporters are facing stiffer competition in the US market from countries like China, Indonesia, Vietnam and Bangladesh according to a report by the federation of Indian Chambers of Commerce and Industry (FICCI). According to survey findings India's export of textile and apparel witnessed a negative growth of around 11 percent to both US and EU in 2009. The share of Bangladesh, Indonesia, Vietnam and China increased by 0.5, 0.4, 0.67 and 4.3 percent points respectively in US imports in 2009 as compared to 0.17 percentage points for India.

Government Policies

Table 8: Government Policies

Options	%
To a great extent	62.22
To some extent	0.00
To a little extent	13.33
To a very little extent	24.44
Not at all	0.00
Total	100.00

Government policies are considered as hurdle to a great extent by 62.22% of sample exporters, while 13.33% exporters think that this problem is problem to a little extent and 24.44% exporters think government policies are hurdle to a very little extent. The mean score obtained by this problem is 4.0 which show that this problem is also a problem which exporters feel as important and to be solved seriously.

The absence of flexible labour policy, serious infrastructural constraints like power shortage, transport problems and large transaction costs have already been putting export industry at a disadvantage. The T & C industry, unlike other manufacturing sectors, is operating in highly competitive global markets where pricing plays a vital role in expanding the market share.

Poor Product Design

By and large, many export problems faced by exporting firms are directly related to the controllable issues within the firm itself. These problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing one of them is poor product design and style for export markets.

Table 9: Poor Product Design

Options	%
To a great extent	37.78
To some extent	24.44
To a little extent	24.44
To a very little extent	13.33
Not at all	0.00
Total	100.00

The above table shows that 37.78% respondents think that poor product design is a barrier to a great extent in exporting goods, 24.44% think that poor product design is hurdle to some extent and 24.44% think that this a problem to little extent, 13.33% respondents think that poor product design is problem to a very little extent. The mean score for this factor was 3.87, which also shows that concern should be given to this problem, but this problem is exporter's internal problem and it can be solved by themselves by taking appropriate actions.

Lack of Government Assistance in Overcoming Export Barriers

Table 10: Lack of Government Assistance

Options	%
To a great extent	37.78
To some extent	24.44
To a little extent	24.44
To a very little extent	13.33
Not at all	0.00
Total	100.00

Table presented above shows that 37.78% of respondents think that lack of government assistance in overcoming export barriers is hurdle to a great extent, 24.44% think that this problem is problem to some extent, 24.44% think that this problem is problem to a little extent and 13.33% think that lack of government assistance in overcoming export barriers is hurdle to a very little extent. The mean score obtained by this factor is 3.87.

Corruption in Government Institutions

Table 11: Corruption in Government Institutions

Options	%
To a great extent	26.67
To some extent	46.67
To a little extent	0.00
To a very little extent	26.67
Not at all	0.00
Total	100.00

26.67% respondents think that corruption in government institutions is problem to a great extent, 46.67% think that this is problem to some extent and 26.67% think that this is a problem to a very little extent. Mean score for this problem is 3.73. Corruption in government institutions is common problem now-a-days. Without giving bribe and special favours you can not work smoothly in a bureaucratic system. In day-to-day work you face problems in government offices in smooth working that's why exporters showing concern for this problem.

Foreign Government Rules and Regulations

Table 12: Foreign Government Rules and Regulations

Options	%
To a great extent	35.56
To some extent	26.67
To a little extent	0.00
To a very little extent	37.78
Not at all	0.00
Total	100.00

Table given above shows that 35.56 of sampled exporters say that foreign government rules and regulations are hurdle to a great extent, 26.67% think that this a problem to some extent and 37.78 % think that foreign government rules and regulations are hurdle in exporting goods to a very little extent. The overall mean score obtained by this factor is 3.60.

Ineffective communication with overseas customers – Language and Culture barrier

Effective communication with people of different cultures is especially challenging. Cultures provide people with ways of thinking--ways of seeing, hearing, and interpreting the world. Thus the same words can mean different things to people from different cultures, even when they talk the "same" language. When the languages are different, and translation has to be used to communicate, the potential for misunderstandings increases. If the people involved are not aware of the potential for such problems, they are even more likely to fall victim to them, although it takes more than awareness to overcome these problems and communicate effectively across cultures.

Table 13: Distribution of Responses – Language and Cultural Barrier

Options	%
To a great extent	37.78
To some extent	0.00
To a little extent	46.67
To a very little extent	13.33
Not at all	2.22
Total	100.00

The above table shows that 37.78% respondents think that ineffective communication with overseas customers – Language and cultural barrier is hurdle to a great extent, maximum 46.67% thinks that this is a problem to a little extent, 13.33% think that language and cultural barrier is a problem to a very little extent and only 2.22% this that ineffective communication with overseas customers – Language and cultural barrier is not a problem at all. The mean score obtained by this factor is 3.58 which show that ineffective communication with overseas customers – Language and cultural barrier is problem faced by exporters in exporting their material.

FINDINGS AND SUGGESTIONS

While exporting product many problems are faced by the exporters the summary of these problems are given in order of there severity –

- High power cost is the top most problem that exporters of Rajasthan in particular are facing today, because the power tariff in Rajasthan is high as compared to other states.
- Recession in foreign market is also a big challenge to exporters now-a-days. Unstable economies of the developed countries like US created a fear among exporters.
- Insufficient support provided by the government – There are many problem that can only be solved by government support which are faced by the exporters of Bhilwara region like water scarcity, power problems, in-functional port etc. which can be solved by government alone.
- Strong International competition is also a big problem faced by exporters. Because of the high power cost, high cost of production, high percentage share of power in total cost of production etc. made the cost of production high and that makes difficult in competing with other exporting countries in term of price despite good quality of our product.
- The absence of flexible labour policy, serious infrastructural constraints like power shortage, transport problems and large transaction costs have already been putting export industry at a disadvantage.
- Competing countries from Asia have gained significantly in the global markets during recent years. Measures are required to ensure fiber security to the textile sector. In the case of workers, both availability and skilling are major issues that have to be tackled by the government and the industry. T & C industry can achieve higher growth if the constraints are minimized through effective and coordinated by all the stakeholders.
- Poor product design is an internal problem of exporter. Adoption of new technology which is existing in the world and available to the other competing countries should be adopted to make our existence strong in the world market.
- Government at state level as well as National level should listen to the problems of exporters and show concern to various problems which are already discussed above.
- Corruption in Government institution is also one of the hurdles said by the exporters.
- Foreign government rules and regulation is also a problem faced by the exporters, but this is an external factor which can be solved only at government levels of both the countries and we can not do much about this because every country takes care of its interest at prime level.
- The last hurdle in this study is problem of ineffective communication with overseas customers and cultural barrier. A good experience and training can only solve this problem by understanding other countries' culture and self improving or training from third parties making himself / herself in effectively communicating with people of other countries.

CONCLUSION

The present study is conducted to study and find out the important factors for exporting textile to other countries and to find out problems that exporters are facing today for exporting their textile products particularly exporters of Bhilwara region. Important factors or problems come out in the study some of them can be solved by exporters by themselves by improving in their approach, adopting new technologies and learning from other exporting countries. Major problems which exist at infrastructural level and are related with policy decision can be solved by the Governments alone at local or state level as well as at national level by taking appropriate policies and listening to and discussing the problems of exporters so that exporters of Bhilwara make their strong position felt in the world market.

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CHANGING SIDE OF INDIAN CULTURE WITH REFERENCE TO POWER DISTANCE DIMENSION OF HOFSTEDE MODEL

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ABSTRACT

Managers often don't take into consideration cultural determinants which can influence their employees' attitude and preferences. This can result in the transfer of practices which are not suitable in specific cultural environment. This research paper focuses on the changing dimensions of power distance in India. The work relationship between managers and their subordinates is dependent on the power distance. In the country with the low power distance superiors and subordinates are perceived as partners and in consequence the best management style is the democratic one. In cultures with high power distance the most often used management style is an autocratic one. Both the managers and the subordinates consider each other as existentially unequal, which results in wide acceptance of the visible signs of the status. Many researches have been conducted to study the causes which affect the power distance like culture; nationality etc. This research paper is focusing upon changing tolerance of people for power distance. Power distance as one parameter to study culture of a nation was first introduced by Hofstede and afterwards many other authors wrote about this dimension. Hofstede considered India as High power distance culture as his finding gave 77th rank to India on this dimensions. This rank indicated that Indians are having high tolerance for power difference and this is widely accepted and practiced in organizations also. Now, as Indians are coming in contact with many other cultures and imbibing excerpts from other cultures too, attitude of Indians towards power distance is also changing. This research is also revealing the same phenomenon. These findings are based upon empirical research done by authors.

Key Words: *Culture, Hofstede model, India, power, power distance, etc.*

INTRODUCTION

Culture is very important factor when it comes to describing the behavior of people of a particular nation. Culture is the shared habits of representation, reference, and inference (Burcik et al., 2007, 2008). Culture is the complex matrix of behavior; a shared system of valued sensibilities and practices which influence individuals' habitual ways of saying and doing things. Hofstede (1991) describes culture as the "collective programming of the mind which distinguishes the members of one group or category of people from another" (p. 5). Study of culture is very important as differences among cultures result in the differences in many social dimensions across different countries (Servaes, 1988). Hofstede made significant contribution in study of culture. To study national culture, Hofstede collected response from employees working in the subsidiaries of IBM across 40 countries around the world. In Hofstede's (1980) original study of national culture can be identified through four dimensions, which are power distance, collectivism versus individualism, femininity versus masculinity, and uncertainty avoidance. Hofstede (1980) defined power distance as the extent to which a unit accepts the fact that the power is distributed unequally. Uncertainty avoidance is defined as a cultural perspective reflecting the extent to which the members of a culture feel threatened by ambiguous or unknown situations (Cyert & March, 1962, 1992; Hofstede, 1983; Hofstede & Hofstede, 2005, p. 167; March, 1994; Umanath & Campbell, 1997). As Hofstede puts it, uncertainty avoidance is the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations" (Hofstede, 2001, p. xix). The masculinity (femininity) index as identified by Hofstede can be alternately viewed as an achievement vs. nurture metric. Essentially, it is away to view if a culture has asocial focus or one of recognizing and encouraging ambition and measures of achievement. To some extent, it reflects gender influenced roles for that culture (Hofstede, 1983). Finally, the individualism (collectivism) index portrays the cultures emphasis on the individual or society (Hofstede, 1983). This research is mainly concerned about the first dimension of Hofstede Model that is power Distance. So we are emphasizing upon this factor in detail.

Power Distance

Power and inequality are extremely fundamental facts of any society and almost all societies are unequal, but some are more unequal than others. The term "power distance" (PD) was first originated by Mulder (1977), meaning" the degree of inequality in power between a less power Individual (I) and a more powerful Other (O), in which I and O belong to the same social system (P.90)". Power distance is how the less powerful members of institutions and organizations within a country expect and accept that power is equally distributed

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(Dooley, 2003; Hofstede, 2001, p. xix; Hofstede & Hofstede, 2005, p. 46; Hooker, 2003; Huang et al., 2003; Mead, 1994; Steming & Hammer, 1992). Power distance in a particular culture is a way of interpreting relationships between and among people generally. There is a continuum from small to large power distance and use in situations.

Power distance also describes the extent to which employees accept that superiors have more power than they have. In short this cultural dimension looks at how much a culture does or does not value hierarchical relationships and respect for authority. Power Distance reflects the degree to which a culture believes how institutional and organizational power should be distributed (equally or unequally) and how the decisions of the power holders should be viewed (challenged or accepted).

Power distance is very important determinant of behavior of people in organizations. Recent studies support the view that cultural variables such as power distance can influence management practices, and results found are consistent with expectations derived from cultural frameworks such as Hofstede's (1980a) and Kluckhohn and Strodtbeck's (1961).

Examples of cultures with high PDI scores include Arabic speaking countries, Russia, India and China. Those with low scores include Japan, Australia and Canada. Table T1 is showing rank of different nations on PDI: Power Distance Index as found by research done by Hofstede.

PDI Score of Nations

Country	PDI	Country	PDI	Country	PDI
Malaysia	104	Brazil	69	South Africa	49
Guatemala	95	France	68	Hungary	46
Panama	95	Hong Kong	68	United States	40
Philippines	94	Poland	68	Australia	36
Mexico	81	Turkey	66	Germany	35
China	80	Kenya	64	United Kingdom	35
Iraq	80	Thailand	64	Switzerland	34
Kuwait	80	Chile	63	Finland	33
Saudi Arabia	80	Portugal	63	Sweden	31
Libya	80	Greece	60	Ireland	28
Indonesia	78	Iran	58	New Zealand	22
India	77	Pakistan	55	Denmark	18
Nigeria	77	Japan	54	Israel	13
Singapore	74	Italy	50	Austria	11

Source: http://www.geert-hofstede.com/ hofstede_dimensions.php

Table T1

Overview of Power Distance in Business Cultures

Organizations also have imbibed culture which has impact upon interaction of people with each other and with outsiders. Culture defines behavior of people in the organization. An organization may have low or high power distance that determines orientation of seniors and subordinates towards each other.

1. Small or Low Power Distance Culture: PDI is low in countries where bosses and subordinates work close together and consult each other. Below give are the characteristics of the companies with low power distance:

- Subordinates and superiors consider each other as or less unequal. Managers and employees are on even ground.
- The hierarchical system can always change depending on the circumstances.
- The hierarchies are flat with a decentralized organization and a small number of supervisors who are expected to be accessible for their subordinates.
- Within a company the degree for unequal treatment is reduced to a low level.
- There is interdependence between employer and employee.
- The salary range is narrow between the top and bottom in companies.
- Subordinates expect to be consulted within the decision-making process.
- Subordinates provide feedback to boss.
- Titles do not necessarily indicate responsibility level
- Ideas from subordinates are welcomed and encouraged.
- Subordinates take responsibility instead of completing tasks
- Superiors treat subordinates with respect and do not pull rank.
- Subordinates are entrusted with important assignments.
- Managers may often socialize with subordinates.

2. High Power Distance Culture: Companies with high power distance has below given characteristics.

- The relation between boss and subordinate is strictly ruled and dependent on the decisions of the boss.
- Very centralized organization.
- Subordinates expect to be told what to do from their superiors because they consider each other as unequal.

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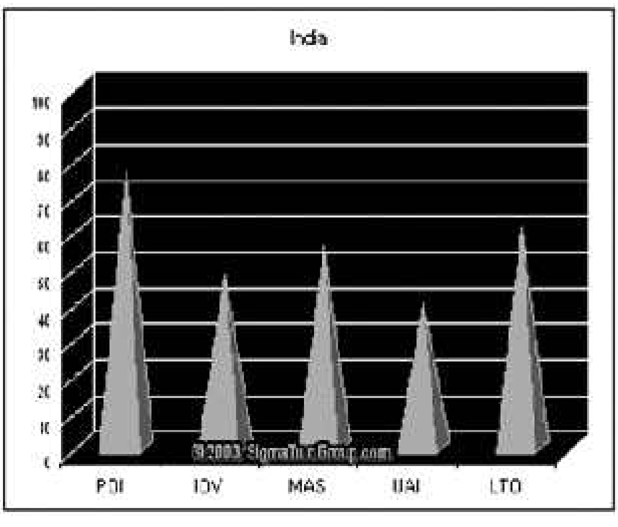
- Inequalities are normally expected and privileges are seen as desirable by superiors.
- There is a large extending centralization and the salary range is wide.
- Employees are too afraid to express their doubts and disagreements with their autocratic and paternalistic bosses.
- Employees take direction from bosses
- Power in organizations is held tightly by superiors
- Tall organizational structure
- Ideas are pushed down from very top of organization
- Those in authority openly demonstrate their rank.
- Subordinates are not given important work and expect clear guidance from above.
- Subordinates are expected to take the blame for things going wrong.
- The relationship between boss and subordinate is rarely close/personal.

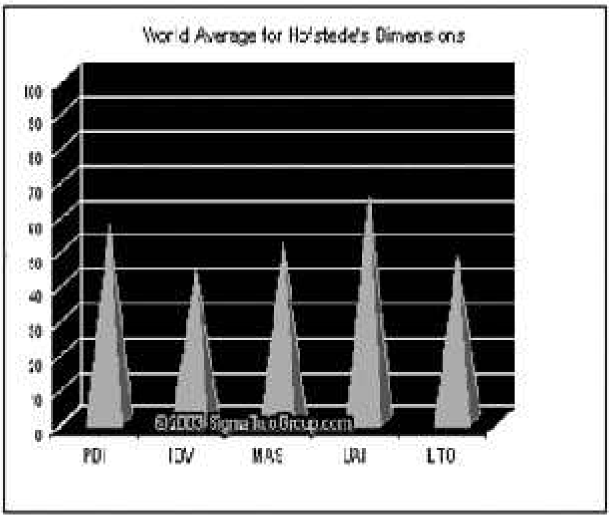
Hofstede's research proves following fact about India

India has Power Distance (PDI) as the highest Hofstede Dimension for the culture, with a ranking of 77 compared to a world average of 56.5 as shown in figure F1 and F2. This Power Distance score for India indicates a high level of inequality of power and wealth within the society. This is where India completely differs from some of the Western cultures such as Sweden, Austria, the UK, the US and Australia who has very low PDI scores less than 40 and hence is classified as low power distance societies. Hence the relationships between entities there are more equal and less hierarchical.



Source:http://www.geerthofstede.com/hofstede_india.shtm

Figure F1



Source: http://www.geerthofstede.com / hofstede_ india.shtml

Figure F2

OBJECTIVE

This research paper is aiming at to study the changing cultural dimensions in India at workplace. This study is basically focused upon "Power Distance" dimension of culture in organizations. We are aiming to compare India's current score on Power Distance Index with score given by Hofstede in his model.

RESEARCH METHODOLOGY

This research is done with the help of both primary and secondary data. Primary data is collected through questionnaire. To calculate power distance below given formula was used:

$$PDI = -35m(Q3) + 35m(Q6) + 25m(Q14) - 20m(Q17) - 20$$

Q3, Q6, Q14 and Q17 are the questions which were originally used by Hofstede to calculate Power Distance Index. Same questions were used by us in order to do the comparison of current PDI score of India with the score given by Hofstede.

Apart from these questions, we developed two separate questionnaires to be filled by superiors and subordinates to get the perspective about the power distance from both sides. Self-administered paper questionnaire was completed by working professionals of Indian reputed companies from IT industry. Sampling is based on both judgment and convenience. Questionnaire for superior contains eleven questions. Questionnaire for subordinate includes five questions. Questionnaire was sent to 300 working professional. Response was collected from 200 people. Out of 200, 100 respondents are holding position of seniors and other 100 are subordinates.

ANALYSIS:

Attitude of Superiors towards Power Distance:

100 respondents who are working as senior have given below given response:

Response of Seniors

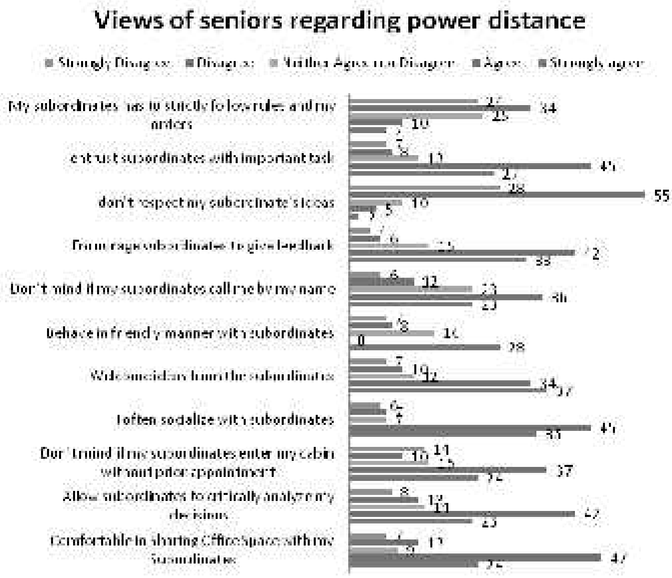


Figure F3

Variable Name	Mean	Std. Deviation
Comfortable in Sharing Office Space with Subordinates	3.68	1.17
Allow Subordinates to Critically Analyze my Decisions	3.59	1.20
Don't mind if my subordinates enter my cabin without prior appointment	3.47	1.33
I often socialize with subordinates	3.96	1.12
Welcome ideas from the subordinates	3.84	1.22
Behave in friendly manner with subordinates	3.75	1.57
Don't mind if my subordinates call me by my name	3.58	1.15
Encourage subordinates to give feedback	3.94	1.04
I don't respect my subordinate's ideas	1.98	.87
I entrust subordinates with important task	3.77	1.14
My subordinates has to strictly follow rules and my orders	2.42	1.16

Table T2

Questionnaire which was made for subordinates was filled by 100 respondents. Summary of response is given in the figure F4 and table T3:

Response of Subordinates

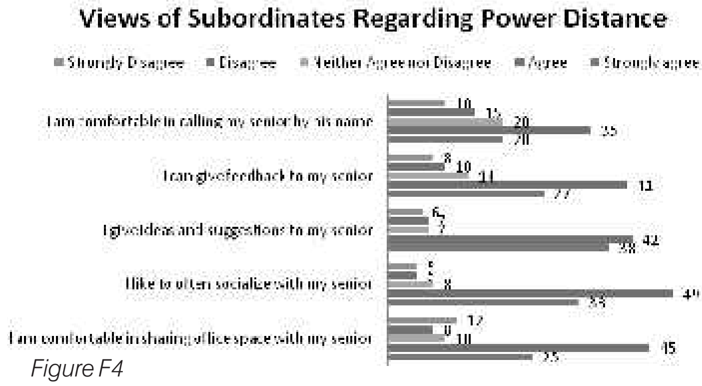


Figure F4

Variable Name	Mean	Standard Deviation
I am comfortable in sharing office space with my senior	3.63	1.28
I like to often socialize with my senior	4.00	1.03
I give ideas and suggestions to my senior	3.99	1.13
I can give feedback to my senior	3.69	1.20
I am comfortable in calling my senior by his name	3.4	1.25

Table T3

Table T 2 and Table T3 clearly indicate that seniors as well as subordinates are not comfortable with power distance. As depicted in figure F3, seniors are comfortable in sharing office space with subordinates, they allow subordinates to critically analyze their decisions, they like to be socialized with subordinates, they welcome new ideas from subordinates, they encourage subordinates to give feedback, they assign important task to subordinates and they are also not particular about rules and regulations. Subordinates are also having similar kind of views about distribution of power at workplace. They often give ideas and suggestions to seniors, they are not hesitant in giving feedback, and are very comfortable in socializing with seniors. These responses show changing attitude of Indians towards power distance. Working professionals in India are becoming more oriented towards less power distance. We have also done comparison of our results with Hofstede Model. Calculation is done with the help of below given formula.

$PDI = -35m(Q3) + 35m(Q6) + 25m(Q14) - 20m(Q17) - 20$

Power Distance Calculation

Question	Mean Score of Responses
Q3	2.10
Q6	2.72
Q14	3.45
Q17	3.31

Table T4

PDI = –35m(Q3) +35m(Q6) +25m(Q14) –20m(Q17) –20

PDI = –35x2.10 +35x2.72 +25x3.45 –20x3.31 –20

PDI= -73.5+95.2+86.25-66.2-20

PDI = 21.75= 22

Comparison of Results

Current PDI of India	Hofstede PDI of India
22	77

Table T5

DISCUSSION AND IMPLICATION:

Our study is based upon the findings of research done by Hofstede. Hofstede ranked India as 77th on the dimension "PDI: Power Distance Index". But this finding is no longer applicable in Indian context as study done by authors reveals that India's rank on PDI has come down to 22 as comparison to 77. Our study indicates that orientation of Indian working professional has changed towards power distance at workplace. Now both senior and subordinates want to have equality at workplace. This study also indicates that national culture is not stable rather it is dynamic which changes as per situation. Organizations and people working in organizations should realize this change because power distance dimension of culture has its implications. According to Hofstede, the two dimensions of national culture that could impact diversity management are power distance and individualism. Apart from this, people in low power distance cultures are less comfortable with a larger status differential than high power distance cultures. Indian corporations should now start paying attention to lesser status difference. The Gomez et al. (1999), Adler, 1997; Francesco & Gold, 1998; Guillén, 1994 and many more researchers support the finding that that the use of participation may be inappropriate in high power distance cultures as it could create an impression of managerial incompetence but participation is considered positive in low power distance cultures. Cheng, Chou and Farh (2006) found that there is positive association between authoritarian leadership and subordinates' loyalty and organizational commitment for high power-distance employee but negative association for low power-distance employee. So leaders should change their style from autocratic to democratic in changed cultural scenario. Individuals from low-power distance cultures perform significantly better in the empowered situation with respect to productivity than in the disempowered situation. In totality Indian organizations should change their way of functioning. They should have more open environment, less status difference, less hierarchies in organizational structure, decentralization, democratic and participative leadership, and empowered employees in order to have friendly and healthy environment at workplace and to increase satisfaction and commitment level of employees.

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E-GOVERNANCE AND URBAN LOCAL BODIES IN INDIA : ISSUES AND CHALLENGES

Mohd.Azam Khan* **Iqbal Zafar Ansari****

ABSTRACT

E-governance combines good governance reforms with new information and communication technology (ICT) .It benefits citizens and governments employees, alike by enhancing management processes, service delivery, and public interface in order to provide more efficient, convenient and transparent services. Implementation of e-governance is one of the mandatory reforms under Jawaharlal Lal Nehru national urban renewal mission. Since India has been emerging as one of the ICT giant in the world, it is imperative to consider the e-governance and the related issues for analysis. Hence this paper highlights the importance of ICT in municipalities. It discusses various issues related to e-governance in municipalities and also gives some tips to implementation of e-governance in municipalities. Finally, in conclusion paper make some suggestion which can help to overcome the problem of e- governance related to municipalities.

Keywords: *E-governance, Urban, Local*

INTRODUCTION

The term "e-Government" may be defined as "the use by public bodies of information and Communication technologies (ICTs) to deliver information and/or services to citizens, external organizations, elected representatives and other stakeholders in such a way as to complement, replace or improve existing delivery systems" (O'Donnell, 2003). E-Governance represents the strategic and systematic use of modern information and communication technology by a government to improve the efficiency, transparency and accountability in its functioning and interface with citizens. Over the last several years, governments have increasingly been using technology to redesign and restructure departments and programs, and change the way they plan and manage their affairs, deliver services, and interact with various stakeholders. Governments are deploying the technology to become increasingly responsive to stakeholders such as citizens, vendors and numerous interest groups who want more efficient service delivery and greater access to information on the functioning of the governments. *E-governance is the application of information & communication technologies to transform the efficiency, effectiveness, transparency and accountability of informational & transactional exchanges with in government, between govt. & govt. agencies of National, State, Municipal & Local levels, citizen & businesses, and to empower citizens through access & use of information(shah,2007)*

THE BASIC STRUCTURE OF E-GOVERNANCE

(Layne in 2001) described a four-stage growth model to develop a fully functional e-government. Based on technical, organizational and managerial feasibilities, the four stages of a growth model for e-governance are:

- Cataloguing (Information)
- Transaction
- Vertical integration (Interactive)
- Horizontal integration (Strategic, interactive) or transformation

These four stages are arranged in terms of complexity and different levels of integration. This section explains these four stages, mainly based on the original paper of Layne 2001. The first stage is *"cataloguing" or "Information"* because efforts are focused on cataloguing government information and presenting it on the web. The first stage is focused on establishing an on-line presence for the government.

The second stage *"Transaction",* where e-government initiatives are focused on connecting the internal government system to on-line interfaces and allows citizens to transact with government systems to on-line interfaces and electronically, is referred as "transaction-based" e-government.

This stage is a link between the live database and the on-line transaction.

However, the critical benefits of implementing e-governance are actually derived from the integration of underlying processes across different level of government. Any citizen can contact one point of government to complete any level of governmental transaction, which can be referred as "one stops shopping" concept. This integration may happen in two ways: vertical and horizontal. Vertical integration refers to local and central administration connected for any functions or services of government, while horizontal integration refers integration across different functions and services.

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Urban local bodies in India are the primary delivery mechanism for providing services to urban citizens in the areas of public health, education, tax collection, services & utilities like power, water, telecommunications, sanitation, solid waste disposal, land development, transportation, housing development and many other essential services. The typical urban local body consists of a council of elected members assisted by government bureaucrats. While the elected officials provide the political interface to the citizens, the bureaucrats handle the delivery mechanisms of the policies articulated by the elected civic bodies.

Most urban local bodies in India have a poor understanding of and access to the enormous potential that information and communication technologies hold in improving the functioning of these organizations. Many cities such as Bangalore have evolved unique public-Private Partnership models in which the urban local bodies, the citizens and enlightened corporate entities are working together to look at governance issues more holistically. The Bangalore Agenda Task Force (BATF), which started off as a unique experiment in private public partnership in urban governance, has been successful in bringing together the various stake-holders consisting of municipal service providers, the city government, domain experts, nongovernment organizations and the citizens on a common platform to discuss urban development issues and evolve common governance guidelines. (BATF, 2005). In a non-ICT enabled urban local body the key processes adopted while serving the community are (i) making & administering policy, (ii) implementing policy for the welfare of citizens and society, (iii) controlling the activities, (iv) organizing for achieving the above. Some of the ULB's initiatives in e-governance are like registration & Issuance of birth and death certificates, payment of property tax, Octroi, water bills, public health & sanitation etc., (Nagarapalika, 2004, Jadhav, S. 2003).

ICT-enabled ULBs, while administering the policies for the good of the society to deliver quality services with the help of technology, focus on (i) creating, maintaining and using knowledge in decision making, (ii) creating secure systems, (iii) establishing direct citizen interface and service delivery mechanisms, and (iv) providing the required ICT infrastructural support. (Sundar, D. K., Garg, S. 2003). A high level representation for the overall governance system for an integrated policy making model should have enhanced social dialogue, multi-criteria decision making, standardized and simplified processing, using ICT to make these fragmented steps into a coherent, homogenous system (Peristeras, V., et al., 2003).

E-GOVERNANCE IN INDIA

India with its more than one billion people has over 16% of the world population living in only 2% of the world's space .In India the concept of e-governance began with national informatics centre effort's to connect all district headquarters through computers in the 1980s.the working group of convergence and e- governance of the planning commission has already recommended that the government must earmark $587 in addition to the 3% plan outlay of each ministry for e- governance and convergence projects.(India to give serious look at e-governance ,2002) It further proposed the setting up an India portal for public access to information on various aspects of government functioning.

NASSCOM's analysis revealed that the southern states of Andhra Pradesh ,Karnataka, Tamil Nadu are leading in terms of implementing E- governance projects. Although a few projects of e-governance in few states have won international awards yet it has not been able to make rapid progress in other parts of the country due to several operational ,economic ,personnel, planning and implementation issues. Perhaps the most talked about initiative in E- governance has been the E-sewa project of the Andhra Pradesh government. It has been noticed that e-governance in India has focused heavily towards investing in hardware and very little on developing software and services. The reason for the slow evolution of the e-governance in India include lack of IT literacy and awareness specially amongst rural masses, underutilisation of existing ICT infrastructure, attitude of government departments, resistance of re-engineering of departmental processes , etc.

E-GOVERNACE AND MUNICIPALITIES

There are three agenda items to take e-governance initiatives further.

Agenda I- A generic module for e-governance in municipalities

- Develop a generic model clearly spelling out common minimum citizen services/interfaces with a fixed timeframe; this is a must to take this initiative forward.
- Focus on building citizens confidence on minimum services at the front end in the first phase; the back end services can be taken up during later phases
- Develop a national urban data infrastructure including spatial data infrastructure and a state level urban data hub for setting up data standards and accessing and storing of information
- Formulate technology standardization and acceptance standardization for benchmarking and certification.
- Set up a core group to frame the recommendations and organise national level workshops, develop guidelines for generic software for ULBs,and evaluate existing solutions in practice. The core group can have institutional participation from agencies like NIUA, IITs or IIMs

- Pilot testing the project in certain ULBs, and then scaling it up to the state level.

Agenda II - Process re-engineering for implementing e-governance in municipalities

- Process for re-engineering need to focus on three areas: I) quality, II) transparency, and III) time management
- The first step before starting e-governance in urban local bodies should be to support and promote e- readiness amongst ULBs
- In order to bring ULBs to the stage of e-readiness strong awareness campaigns with examples of successful experiences should be launched
- Standardized guideline for listing of BPRs that need to be initiated
- Standardized list of BPRs should be prepared for representative samples of different categories of ULBs
- A strong message from the central government needs to be passed on to the state governments to facilitate this process
- The e-Governance initiatives need to get highest visibility at the state government level for its successful implementation.

Agenda III- Options for funding e-governance initiatives

- PPP is a strong possibility to fund large projects since it combines accountability with efficiency and helps in augmenting resources. Various models of PPP can be explored depending upon the size of urban local bodies
- In order to bring down the cost a centralized IT infrastructure should be made available by the Government/ULB
- A Generic Open Source Software (OSS) should be developed and made available on public domain for ULBs to adopt. As the software is dynamic in nature a small core group at the Ministry level should be formed to maintain and update the software
- Adopt appropriate strategies for service delivery, such as leveraging existing network of Integrated Citizen Service Centres where it exists, or create ULB Service Centres as a nucleus for Integrated Services or a combination of both these options
- Central Government should prepare a roadmap for implementation across ULB in the country for a common approach.

ISSUES FOR ULBS

Keeping in view that a large number of municipal bodies are to be covered under the e-governance programme, multiple funding sources will have to be explored. It would not be wise to depend completely on the government funding. Funding through Union Government sources is available primarily under the NMMP programme of Ministry of Urban Development, where for the selected 35 cities, the central funding up to 35% and 50% of the project cost is available for cities having population of 4 million plus and 1million plus respectively (as per 2001 census). Government should also provide substantial funding from the Planning Commission, DIT etc. State funding through plan/non-plan budgets should also be provided at increased pace as even under NMMP 15-20% funds are to be provided by the states. Otherwise states are also transferring the subjects to ULBs as enunciated in the 74th constitutional amendment. Initial financial boost should also be provided by the states.

More powers should be given to ULBs to raise resources; states are not providing enough revenue sources to them and are only transferring the responsibilities. As mentioned in Para 5.4 of NMMP guidelines dovetailing of MLALAD/MPLAD schemes' funds with ULBs' share is possible and citizens should also insist on usage of these funds for e-Governance purpose as a municipal area covers the entire city. Externally Aided Projects (EAP) – in terms of both finances and advisory services of the World Bank (WB), Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC), Public-Private Infrastructure Advisory Facility (PPIAF), City Development India Initiative (CDIA), International Finance Corporation (IFC) should be structured so as to provide funding for e-Governance in municipal bodies. Government of India along with the state government may stand as counter guarantee for the assistance. The lead role here is to be played by Government of India. Likewise, institutional funding from banks etc is also required. Some banks like Union Bank of India, Yes Bank, Industrial Development Bank of India etc are keen on taking up e-Governance projects.

Public Private Partnership (PPP) elements in e-Governance are required to be increased. Project structuring is required to be done aggressively by banks, consultancy organizations for having a bankable e-Governance project. We have examples in Mumbai, Surat, Kalyan-Dombivili, Hyderabad, Hisar etc. We have PPP advisory facilities in Ministry of Finance, Ministry of Urban Development etc.

One critical angle of the e-Governance solution is the objectivity in fund allocation by different agencies for optimum results. Funding of non-admissible items under NNMP or any other programme should also be kept in view. The overall integration in terms of finances, software, agencies etc are very critical. Advisory services and handholding of ULBs, by the Government is sine-qua-none of the whole scheme. This is comparatively and generally a less understood concept and hence the need for advisory and handholding. Even at the central level the need of the hour is to handhold. PPIAF, CDIA, WB, ADB, IFC will be helpful. Besides, we have in India a number of excellent consultancy firms, banks, and non-profit organizations, which are required to be roped in.

Capacity Building is required at each and every level as this is comparatively and generally a less understood concept and hence the need for advisory and handholding. Even at the central level in MoUD, advisory services are required. Worse is the condition at state level. Strengthening of "ULB cadre" for management and maintenance of E-Governance initiatives is the core issue. Various tasks for capacity building include:

- Capacity assessment
- Capacity gap analysis
- Institutional capacity building plan
- Training need analysis and identification
- Training plan
- Outsourcing of manpower
- Building or staffing PMU's for e-Governance initiatives

The data available with the ULBs is in scanty. A big challenge is to collect, standardize and maintain the data. Key factors like huge data size, uneven data formats, distributed databases, historical data & data exchange interfaces should be taken into consideration at design time. GIS is very important for effectiveness of E-Government initiatives as latest data can only facilitate good governance. This along with and door-to-door survey makes it accurate and useful. The key considerations for effective GIS implementation includes complete asset mapping, integration with other ICT applications of continuous updation and standard interfaces for data access by other applications.

Connectivity between data centre and service centres is one of the major financial factors both as capital and operational costs. No single connectivity solution is successful. Therefore systems should be designed to handle multiple connectivity options. Various factors that play roles in connectivity solution architecture are cost, topology, service providers, technologies available and current & future capacity requirement.

The objective of the PPP model for the three major entities in System implementation will play critical role in selection and prioritization of services.

- **For citizens**, objectives shall be on quality of service, minimizing the number of customer visits, increasing service platforms, time reduction to deliver service and ease of Information availability.
- **For municipalities** objectives shall be on process efficiency & effectiveness, enhancing existing revenues, setting up new revenue streams, reducing processing cost and boosting image of municipalities
- **For the implementation** agency objectives shall be investment optimization through PPP model, Return on Investment (ROI) and cost benefits.

Implementation of e-governance: Before e-governance can be implemented as a national level initiative, some key systems and processes will need to be put in place. These in fact are important prerequisites for e-governance and could include the following.

Large-scale computerization

The introduction of computers in every department/ministry of the central and State governments and their subordinate organizations is the starting point of E-government. This would involve huge investments for the acquisition of hardware and software. One possible way of reducing and distributing costs is that the Governments enter into arrangements for leasing of computers and gradually acquire them over a period of time.

Capability of Use of local languages in the IT systems

The access of information would have to be made available in the language most comfortable to the public user, generally the local language. There are existing technologies available in the country such as GIST and language software by which transliteration from English into other languages can be made. Other tools for local language can also be developed as progress is made of their use in the systems of government.

Awareness: Perhaps the most important aspect of e-governance, computerization and spreading of IT, is the bringing of a change in the mindset of the government functionaries who have been accustomed to work only in the manual mode. It will be necessary to train all employees in basic computer usage.

Infrastructure: Adequate and appropriate Infrastructure for Information Technology has to exist across the country with sufficient bandwidth.

Standardization: E-governance demands standards in all areas. Some of the key areas are: data encoding (ISCII or UNICODE), application logic for common horizontal applications, user interfaces, data dictionaries, etc. These standards will need to be put in place before E-governance can effectively be implemented.

Certification Authorities: Public Key Infrastructure and Certification Authorities to provide digital certificates that help create an on-line identification and security system for the Internet allowing individuals, corporations and government organizations to conduct transactions and communications is an important requirement for E-governance and E-business.

Knowledge Networking for better governance: Good Governance rests on the Pillars of knowledge and recognition of this knowledge by the decision-makers.

Digitisation of the entire set of knowledge within a network which links every Individual including the decision-makers and gives democratic freedom to everyone to access and make use of this knowledge paves the way for Digital Governance.

Nevertheless, the ability of developing countries to reap the full benefits of E-Government is limited and is largely hampered by the existence of many political, social and economic hindrances. But, despite the barriers and impediments they experienced, the reference cases provided here show that developing countries should and could take advantages of the ICT revolution. There are some important tips to consider for a successful design and implementation of E-Government initiatives.

- E-readiness assessment - Start with an e-readiness assessment study which permits stakeholders to understand the current state of telecommunication networks infrastructure, legal and regulatory framework, current level of human resources and skills as well as the main impediments within a country's borders. Based on the outcomes of this assessment, it is possible to produce strategies and action plans for building human resource capability, legislative frameworks, institutional infrastructures, technological infrastructures and accessibility for all in a tailored and effective way.
- Raise awareness among public and private organizations - Organize workshops, events, seminars, conferences with the objective of raising awareness about real opportunities and benefits that the ICT revolution can bring. Prepare for long-term solutions to problems by ensuring the availability of appropriate training programs for future management of technological and business changes.
- Think small, be agile and fast - Begin with feasible pilot projects, tailored to specific contexts. Build up steadily the qualifications necessary for facing hindrances. Be prepared to make the required changes on the road. Agility and flexibility assure the success.
- Stimulate collaboration and coordination among government departments and agencies to increase efficiency and effectively in process handling. Address challenges and opportunities in strong partnership with private organizations, major donors, research institutions and universities, and support cross fertilization of ideas, solutions and knowledge.
- Invest in human development – the success of e-initiatives depends largely on human skills and capabilities. Accordingly, education and training initiatives must be considered as priority actions. Staff need to be trained to handle new processes and activities; they have to be given incentives (not necessarily monetary) to prevent the brain drain of skilled people; and they need to feel part of the organization by engaging in the decision making process. Some basic training needs necessary to be provided to community members, in general, in order for them to be able to use new facilities for accessing electronic information and services.
- Show sensitivity to local realities by assessing and evaluating different alternatives, ways and solutions for digital government development including mobile telephones, kiosks, and multi-channel access to services. Find viable solutions to ensure the effective participation of the community in the information economy.
- Adopt a holistic and comprehensive approach, with clear vision and strategy to overcome the barriers and challenges for change. Integrate E-Government with other development strategies and policies to ensure a broad base diffusion. The active role of top leaders is crucial especially at the earliest stages, to raise awareness, make ICT development a national priority, build and maintain wide commitment and involvement at public and private levels.
- Prepare to manage knowledge and change - Establish knowledge management processes and tools to ensure storage, usage, easy retrieval of strategic information and knowledge for better and fast decision-making process, for further adaptation and development, for realizing the necessary improvements and always search for better and innovative value added services and solutions.

CONCLUSION

In the new economy, underpinned by revolutionary changes in science and technology, information and knowledge has become a key factor in economic competitiveness. Developing countries must pursue a more active role in the formulation of national policies and strategies to promote the information economy, to reap huge benefits in terms of economic and social growth/development. E-Government is believed to play a fundamental role to this end. It does not only facilitate market- led initiatives but it also plays a major role in initiating the process of capability building and in coordinating the actions of a large number of interested stakeholders (Mansell and Wehn, 1998). It offers the potential of reshaping the public sector activities and processes, building relationships between citizens and the government, enhancing transparency, increasing government capacity and providing a "voice" for those outside the government.

Urban development is a state subject and therefore, the ownership for e-governance in ULBs is required to be taken by states. The functions enumerated in the 74th constitutional amendment are yet to be transferred to ULBs in most of the places. Also ULBs are not matured enough to stand alone in the scheme of things. Hence, state has to play a major role here. As in other fields, there are ethical and controversial issues, which also require a mention. There is possibility of vendor tender lock- in PPP, exorbitant AMC charges for software due to propriety item etc. For a healthy economic growth of the country there is a need to have a level playing field. There is also a felt need to rope in small service providers for encouraging them by associating them with NeGP and NMMP at every level. They are to be encouraged for software development, for PPP implementation of eGov projects. Ministry of Urban Development as a nodal point should provide the guidance and handholding by way of DPR preparation, appraisal process, implementation, advisory etc. There is a need to educate the government bodies and the citizens about the benefits and necessities of e-governance and at the same time the implementation framework needs to be made more ULB friendly by providing more finance directly to them. There is severe lack of trained manpower for the programme and maximum number of consultants and PPP operators should be roped in.

Ministry of Urban Development should play the leading role facilitating advisory services and funds to the ULBs

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PRIVATIZATION OF EDUCATION IN INDIA: AN OVERVIEW

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ABSTRACT

The world has been seeing a wave of privatization sweep across many spheres. The impact of privatization on education could not be contained either, as it seemed to help a cause and diversify choice of resources available. At the school-level, privatization has become a very normal phenomenon. There are several schools of thought in this regard and the term 'raises several issues. This paper attempts to answer the disadvantages of Privatization outweigh its advantages and discuss on privatization in India lead to monopolization of higher education by the private sector.

Key Words: *Privatization, Education, Government, Elementary education*

INTRODUCTION

Education is the process of developing and training the powers and capabilities of human beings. It has always been and continues to be one of the most important needs of mankind because it helps man indoctrinate values and apply the technical know-how in real life situations. Of late, there has been an increasing trend towards privatization of education in India. The government cannot absolve itself from the responsibility of providing education to its citizens. The government is thus obliged to not only strive towards providing access to education to all its citizens but must also try and improve the quality of education. It required a large investment but in India lack of adequate funds continues to be a major hurdle. In the given context, there is a pressing need for the private sector to pitch in and that at the risk of privatization and monopolization of higher education by the private sector. Mr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, has pointed out the need to increase the public expenditure on higher education. Mr. Ahluwalia has opined that an improvement in the standards of higher education could be achieved only through a balanced relationship between the public and the private sectors. Privatization is a process that involves private sector in the ownership or operation of a State-owned enterprise.

Models for Privatization

There are four major models may be identified as follows (Bray 1998):

TRANSFER OF OWNERSHIP OF PUBLIC SCHOOLS The transfer of ownership of existing public schools to private hands is perhaps the most striking form of privatization.

INCREASED GOVERNMENT FUNDING AND SUPPORT FOR PRIVATE SCHOOLS Governments may strengthen the private sector by giving financial and other aid to private schools.

INCREASED PRIVATE FINANCING AND/OR CONTROL OF GOVERNMENT SCHOOLS In this model of privatization, schools remain nominally under government ownership but the proportion of finance and/or control by nongovernment sources is increased.

SHIFTING SECTORAL BALANCE The shifting of sectoral balance occurs through a more evolutionary shift in the balance of types of institution. Thus, the number and size of government schools might be held constant, but the number and size of parallel private schools might be permitted or encouraged to increase.

CATEGORY OF PRIVATE EDUCATIONAL INSTITUTIONS

We can categorize the private educational institutions into the following two categories:

Aided Institutes These institutes are privately managed but are funded by the Government. These educational institution, receiving recurring financial aid or assistance in whole or in part from the central government or the state government or from anybody, under the control of central or state government disbursing grants-in-aid or financial assistance and shall include a minority institution. There are a large number of colleges which are 'aided colleges' and receive a substantial amount of aid from the Government in order to bear the operating costs. The private colleges that receive aid do not help in bringing down the expenditure of the Government in higher education.

Unaided Institutes These institutes are privately managed and raise their own funds. These educational institution, do not receive any financial aid or assistance in whole or in part from government.

Effects of Privatization

There are a number of effects of privatization, like - economic, social, and political as well as educational. As per the economic perspective, a question comes into our mind that

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whether privatization is able to increase the efficiency of education systems, most of the evidence on this matter appears positive, but more research is needed before statements can be completely firm. A research has been conducted on Colombia, Dominican Republic, Philippines, Tanzania and Thailand (Jimenez et al. 1991; Lockheed and Jimenez 1994) on this topic. The findings of the study, focused on selected core academic subjects in secondary education. The researchers took care to control for the home background of students and for other effects, though the studies excluded household and other non institutional inputs, such as supplementary books, additional tutoring, and endowments. These inputs may be particularly high for private schools, and could therefore be important to the comparison. However, one study in India seemed to contradict these findings. It focused on primary school mathematics and reading in Tamil Nadu, and indicated that fully private schools were the least cost effective. Government aided schools were the most cost effective, and fully government schools were intermediate (Bashir 1994, 264; 1997, 153). To explain the differences in effectiveness, most authors highlight the importance of management practices. Lockheed and Jimenez (1994, 15) showed that head teachers in private schools generally have more control over school-level decisions that can affect student achievement. This includes selection of teachers, adaptation of the curriculum, improvement of instructional practice, and choice of textbooks. Several studies have also observed that private schools are less constrained by the conditions of service and accompanying salaries that are mandatory in the public service. However, while the research seems on balance to show that private schools are more cost effective than public ones, most researchers still underlines the need for caution. It is also important to address the argument that the existence of private schools helps to improve the efficiency of public institutions.

Positive aspects of Privatization of Education

There are a number of positive aspects of privatization of education. Let us discuss some are as follows:

- The increasing demand for better quality higher education in India can be met only by private institutions complementing the universities established by the State. The proportion of students opting for higher education in India is increasing at a rapid rate and the only feasible way out is the privatization of the educational system.
- The Government has increased the investment in primary education to provide free and compulsory primary education, as a result of which, the investment in higher education has proportionately decreased. In order to meet the growing needs of the student population for higher education in the country, it is an imperative for the Government to privatize higher education.
- In case of private universities, there would be minimal or practically no political intervention. This would be beneficial for the universities in terms of being independent. In unaided professional institutions, there will be full autonomy in their administration, but the principle of merit cannot be sacrificed, as excellence in education is in national interest'. The Universities would try and implement new techniques, which would have otherwise been impossible without the permission of the State.
- Private colleges that are affiliated to the universities are independent as far administration is concerned. In case of colleges established by the State, there may be unethical practices. There are innumerable cases which involve unethical practices in Government Colleges in India and many of them in the recent past. Private Colleges affiliated to Universities would run the risk of being stripped of their affiliation if they are caught engaging in such unethical practices by the relevant authorities.

Drawbacks of Privatization of Education

The following are some of the drawbacks of Privatization of education in India

- If the private institutions get too much independence, it would invariably lead to monopolization of higher education. This would lead to a plethora of problems such as a high fee structure, exploitation of faculty, capitation fee, etc.
- With the advent of privatization, there has been an enormous growth in the number of private professional colleges. This rapid growth has no doubt contributed to a quantitative increase in the number of colleges providing higher education but this has been at the cost of quality.
- Most Private colleges although adhering to standard admission procedures like conducting entrance tests, interviews, etc. tend to admit students by charging an exorbitant amount as capitation fee.
- Merit invariably takes a backseat and those with the ability to shell out more money often tend to get admitted, without fulfilling the admission requirements.
- The government has been supporting the higher education sector by providing funds, establishing colleges, etc. since independence but now, what is the need to so rapidly change the policy, when for such a long time the government funding has carried on without any impediment?

- There is a risk of commercialization of education. Although a competitive atmosphere would be created, some colleges would concentrate on profit making rather than on improving the standard of education.
- Colleges which are privately owned and administered would exploit the faculty by paying them amounts which are not in consonance with the amount specified by various regulating agencies. This may lead to a slackening in the efforts of the aggrieved and may ultimately result in a fall in the standard of education.
- There have been a couple of cases in the recent past wherein colleges which received aid from the Government employed illegal and unethical practices, due to which the Government was forced to take over those colleges. The purpose for which those colleges were started seems to be profit making and not to ease the burden of the Government or improve the quality of higher education.
- With the advent of privatization, there seems to be an emphasis on correspondence mode of education. This may not be conducive for a sound understanding of subjects.

CONCLUSION

The government is investing more and more for the development of the primary education. A direct outcome of this has been the decrease in the investment in higher education. Private institutions could be encouraged to start professional institutions but it must be ensured that the entry of private institutions into the scene does not lead to commercialization. The entry of private sector would ease the burden of the government in providing higher education to its citizens. The State at the same time cannot absolve itself from the obligation of providing education to its citizens, a majority of whom cannot afford education in private professional institutions. There has been a lot of criticism against privatization, people have expressed their concerns over the exorbitant fee that would charged by private institutions due to which people from the weaker sections of society may be deprived of access to higher education. Another cause for concern is the possible commercialization. There are others who believe that privatization is inevitable. Those advocating privatization contend that the co-existence of the public and private sectors would be beneficial. They believe that with the entry of the private sector in the field of education, the quality of education is bound to get better. Although there are a couple of drawbacks with respect to privatization of higher education, it is sure to bring in competitiveness and on the whole revamp the present educational system.

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GLOBAL MEDIA AND JOURNALISM

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ABSTRACT

Globalization is a potent force in the current dynamic environment. In current environment, global media is consistently redefining itself and expanding its activities. In this paper, we trace the evolution of global media. Then, we discuss the transformation happening in journalism. It emerges that the traditional journalism is giving way to new media journalism. The new form of journalism utilizes digital technologies, promotes open standards, encourages mass participation, undermines centralized control and is self-regulating.

Keywords: *Globalization, global media, new media journalism, web 2.0*

INTRODUCTION

Globalization is a phenomenon that has led to the integration of regional economies, societies, and cultures through communication, transport and trade. The world is rapidly becoming a global trading community. With the advent of Information and Communication Technologies (ICT), there has been tremendous expansion in global media activities. In the era of globalization, the media communication is consistently redefining itself. The global media activities are manifested in various forms. In the last century, the media for long distance communication has been greatly altered due to emerging technologies. Such changes have drastically altered the face of modern civilization. With the alterations in global media, the investigation and reporting of events, issues and trends have altered. This has given rise to variations in Journalism.

Evolution of Global Media

Taking a clue from McGaughey (2000), the history of global media can be described by the stages depicted in Figure 1.

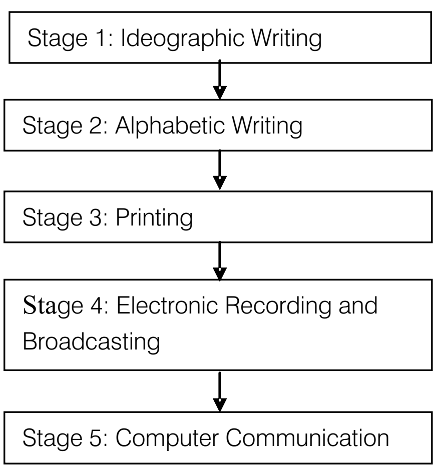

Figure 1. Stages of Global Media

Stage 1: Ideographic Writing

This represents the beginning of human communication. Ideographic writing was invented in Mesopotamia around 3100 BC. The medium of communication was in ideographic form such as cave paintings, drawn maps etc. This mode of communication was too difficult to produce a literate population but professional scribes mastered it.

Stage 2: Alphabetic Writing

Alphabetic writing was invented around mid 2nd millennium BC in Palestine and Syria. In this stage, there was philosophical and spiritual awakening amongst the people. The hand written alphabets became the medium of communication. This mode of writing allowed a broader and more active population to acquire literacy.

Stage 3: Printing

Printing developed in Western Europe around 15th century AD. It helped in the dissemination of knowledge and supported spread of universal education. By the printing of books, schools were able to educate children. The advertisements in newspapers made the customers aware about businesses and allowed businesses to build brands.

Stage 4: Electronic Recording and Broadcasting

In the late 19th and early 20th century, various electronic devices were discovered. These media led to the coverage of real-time events like marriage ceremonies, cultural functions, TV programs etc. It attracts commercial advertising in media such as Radio, TV etc. It also supports telephony. This media works by using the technology of analog telecommunications.

Stage 5: Computer Communication

The computers became popular around 1990s. Computers have revolutionized the way business in conducted. They work on the technology of digital telecommunications. One of the significant developments in computer networking in internet. In 1997 a study titled "The Internet Advertising Report", *Meeker (1997)* examined the adaptation rate of Internet compared to the three traditional media: radio, network television and cable television. *Meeker (1997)*

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examined the length of time it took for each to reach 50 million U.S. users. The length of time it took for Internet to reach 50 million users was 5 years, which is remarkable considering that it took radio 38 years, network television 13 years, and cable television 10 years.

Transformation in Journalism

The ideal of journalism is to keep the citizens informed. Journalism covers various aspects such as government activites, business operations, cultural programmes, educational dimensions, social events etc. The jobs included in this field are editing, photoculturism and documentary.

The most popular form of journalism is news journalism. News media has become the chief conveyor of information and public opinion. But this form of journalism along with mass media is undergoing significant changes under the impact of internet, especially web 2.0. Web 2.0 facilitates user friendly design, crowd-sourcing, collaboration, power-decentralization, dynamic content and rich user experience *(Sharma, 2008)*. The critical advantage of Web 2.0 is that it allows users to interact and collaborate with each other in a social environment. Examples of web 2.0 include social networking sites, wikis, blogs, video sharing sites, web applications, hosted services, folksonomies, mashups etc.

In journalism, the use of emerging global media is growing. The reporters prepare news articles for newspapers, magazines, periodicals etc by using multimedia applications such as photographs, drawings, colors, typographic effects etc. The journalistic media that disseminates quality content and utilizes emerging technologies is considered high standard media.

In community journalism, the journalists have to engage citizens and experts/elites in the proposition and generation of content. It gives attention to local issues that builds a sense of unity among the community. Issues such as school sports, local crimes, zoning issues etc are addressed. The technology mediated media applications ensure easy connectivity of city neighborhoods, individual suburbs or small towns.

In the emerging environment, print media is facing tremendous competition from online media. In newspapers, the traditional subscription-based advertising model is giving way to online advertisement placements. So in view of declining advertising and circulation revenue, it is difficult for traditional newspapers to survive *(Capace, 2009)*. So, newspapers are using online media to reach customers. For example, all leading English newspapers in India like The Hindu (http://www.hinduonnet.com/), Hindustan Times (http://www.hindustantimes.com/), The Times of India (http://timesofindia.indiatimes.com/), The Tribune (http://www.tribuneindia.com/) etc are available online. Hindi newspapers like Amar Ujala (http://www.amarujala.com/), Dainik Bhaskar (http://www.bhaskar.com/), Dainik Jagran (http://in.jagran.yahoo.com/), Navbharat Times (http://navbharattimes.indiatimes.com/) etc are available online in Hindi language. Even regional newspapers like Daily Ajit – Punjab Di Awaaz (http://www.ajitjalandhar.com/) is available online in Punjabi, Anandabazar Patrika (http://www.anandabazar.com/) is available online in Bengali, Saamana (http://www.saamana.com/) in Marathi, Divya Bhaskar (http://epaper.divyabhaskar.co.in/) in Gujrati etc. The New York Times has partnered with Amazon's Kindle DX to stay relevant in digital age *(Folkenflik, 2011).*

Emergence of New Media Journalism

With the decline of print media, a wave of new media journalism has emerged (Lacolare, 2010). It is also known as convergence journalism. As opposed to traditional print journalism, new media journalism focuses on using digital media such as social bookmarking, podcasting, blogging, social networking etc as a means of communication. Open, collaborative, networked, communication infrastructure is created by an entire digital natives generation. The platforms worth mentioning are displayed in Table 1.

Table 1. Platforms of New Media Journalism

Sl.	Platform	Website	Description
1.	Digg	http://digg.com/news	Collaborative filtering via powerful algorithms
2.	Delicious.com	http://www.delicious.com	Organize the world by shared social taxonomies
3.	Wikipedia	http://www.wikipedia.org	Provides a platform to anonymous users to constantly and quickly build content
4.	Answers.com	http://www.answers.com	Provides answers from expert sources
5.	Flickr	http://www.flickr.com	One of the most popular photo sharing website on the internet
6.	Facebook	http://www.facebook.com	Enormously popular social networking website
7.	Twitter	http://twitter.com	Offers social networking and microblogging service, enabling its users to read and send messages

The emerging new media journalism is promoting a mass participatory culture. It is possible to for number of people to connect via internet and self-express freely. It is leading to decentralization and authority deconcentration as the control of centralized hierarchical agencies is loosening. Collaborative software development has given rise to the open standards in web services. The emerging standards are self-regulating as techniques of tagging, syndication, ranking and bookmarking have built-in rudiments of a peer-to-peer trust, reputation and recommendation system.

In certain instances, the new media journalism has proved to be much better and quicker than traditional journalism for correcting errors, falsity, lies and distortions. A significant example is blogosphere, which is made up of blogs and their interconnections (http://www.blogospherenews.com/). The interconnections between the bloggers are tracked by sites such as Technorati (http://technorati.com/), BlogPulse (http://www.blogpulse.com/), Tailrank (http://blog.tailrank.com/), BlogScope (http://www. blogscope.net/) etc. These sites take advantage of the hypertext links to track the conversation on any given topic, when it moves from site to site. These can also help journalists track the spread of ideas or beliefs that are transmitted from one person to another (also called memes). This can determine the sites that are most popular for gaining information *(Kirchhoff, 2007)*.

CONCLUSION

It is clear that the phenomenon of globalization has caused a revolution in the way business is conducted. ICT has emerged as a revolutionary paradigm and has caused tremendous expansion in global media activities. The face of journalism has drastically altered in this dynamic business environment. The traditional print media is loosing is long held ground and a new media journalism is emerging. New media journalism utilizes digital technologies such as social bookmarking, podcasting, blogging, social networking etc and promoting a mass participatory culture. It functions as a peer reviewed, self-regulatory, self-correcting platform. As the proportion of people in the open, networked, collaborative communication would increase, the authenticity of journalism will improve and the need for eternal standard setters would decrease.

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EMPLOYEE ENGAGEMENT

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ABSTRACT

Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. It is a positive attitude held by the employees towards the organization and its values. The paper focuses on how employee engagement is an antecedent of job involvement and what should company do to make the employees engaged. The paper also looks at the Gallup 12 point questionnaire, twelve-question survey that identifies strong feelings of employee engagement and the steps which shows how to drive an engaged employee.

Key Words: *Employee, engagement, business*

INTRODUCTION

Engagement at work was conceptualized by Kahn, (1990) as the 'harnessing of organizational members' selves to their work roles. In engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. The second related construct to engagement in organizational behavior is the notion of flow advanced by Csikszentmihalyi (1975, 1990). Csikzentmihalyi (1975) defines flow as the 'holistic sensation' that, people feel when they act with total involvement. Flow is the state in which there is little distinction between the self and environment. hen individuals are in Flow State little conscious control is necessary for their actions.

Employee engagement is the thus the level of commitment and involvement an employee has towards their organization and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.' Thus Employee engagement is a barometer that determines the association of a person with the organization.

Engagement is most closely associated with the existing construction of job involvement (Brown 1996) and flow (Csikszentmihalyi, 1990). Job involvement is defined as 'the degree to which the job situation is central to the person and his or her identity (Lawler & Hall, 1970). Kananga (1982) maintained that job involvement is a 'Cognitive or belief state of Psychological identification. Job involvement is thought to depend on both need saliency and the potential of a job to satisfy these needs. Thus job involvement results form a cognitive judgment about the needs satisfying abilities of the job. Jobs in this view are tied to one's self image. Engagement differs from job in as it is concerned more with how the individual employees his/her self during the performance of his / her job. Furthermore engagement entails the active use of emotions. Finally engagement may be thought of as an antecedent to job involvement in that individuals who experience deep engagement in their roles should come to identify with their jobs.

When Kahn talked about employee engagement he has given important to all three aspects physically, cognitively and emotionally. Whereas in job satisfaction importance has been more given to cognitive side.

HR practitioners believe that the engagement challenge has a lot to do with how employee feels about the about work experience and how he or she is treated in the organization. It has a lot to do with emotions which are fundamentally related to drive bottom line success in a company. There will always be people who never give their best efforts no matter how hard HR and line managers try to engage them. "But for the most part employees want to commit to companies because doing so satisfies a powerful and a basic need in connect with and contribute to something significant".

ASPECTS OF EMPLOYEE ENGAGEMENT

Three basic aspects of employee engagement according to the global studies are:-

- The employees and their own unique psychological makeup and experience
- The employers and their ability to create the conditions that promote employee engagement
- Interaction between employees at all levels.

Thus it is largely the organization's responsibility to create an environment and culture conducive to this partnership, and a win-win equation.

CATEGORIES OF EMPLOYEE ENGAGEMENT

According to the Gallup the Consulting organization there are there are different types of people:-

Engaged--"Engaged" employees are builders. They

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want to know the desired expectations for their role so they can meet and exceed them. They're naturally curious about their company and their place in it. They perform at consistently high levels. They want to use their talents and strengths at work every day. They work with passion and they drive innovation and move their organization forward

Not Engaged -*Not-engaged* employees tend to concentrate on tasks rather than the goals and outcomes they are expected to accomplish. They want to be told what to do just so they can do it and say they have finished. They focus on accomplishing tasks vs. achieving an outcome. Employees who are *not-engaged* tend to feel their contributions are being overlooked, and their potential is not being tapped. They often feel this way because they don' t have productive relationships with their managers or with their coworkers.

Actively Disengaged--The *"actively disengaged"* employees are the *"cave dwellers."* They're *"Consistently against Virtually Everything."* They're not just nunhappy at work; they're busy acting out their unhappiness. They sow seeds of negativity at every opportunity. Every day, actively disengaged workers undermine what their engaged coworkers accomplish. As workers increasingly rely on each other to generate products and services, the problems and tensions that are fostered by actively disengaged workers can cause great damage to an organization's functioning.

IMPORTANCE OF ENGAGEMENT

Engagement is important for managers to cultivate given that disengagement or alienation is central to the problem of workers' lack of commitment and motivation (Aktouf). Meaningless work is often associated with apathy and detachment from ones works (Thomas and Velthouse). In such conditions, individuals are thought to be estranged from their selves (Seeman, 1972) .Other Research using a different resource of engagement (involvement and enthusiasm) has linked it to such variables as employee turnover, customer satisfaction – loyalty, safety and to a lesser degree, productivity and profitability criteria (Harter, Schnidt & Hayes, 2002).

An organization's capacity to manage employee engagement is closely related to its ability to achieve high performance levels and superior business results. Some of the advantages of Engaged employees are

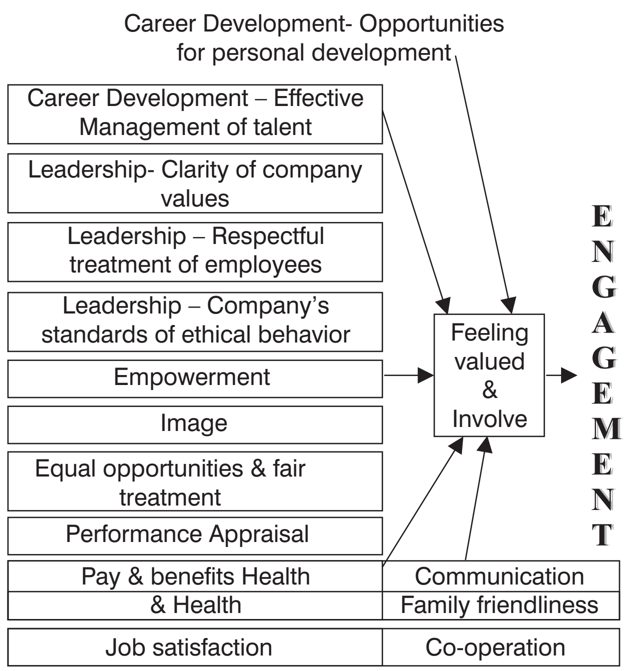
- Engaged employees will stay with the company, be an advocate of the company and its products and services, and contribute to bottom line business success.
- They will normally perform better and are more motivated.
- There is a significant link between employee engagement and profitability.
- They form an emotional connection with the company. This impacts their attitude towards the company's clients, and thereby improves customer satisfaction and service levels
- It builds passion, commitment and alignment with the organization's strategies and goals
- Increases employees' trust in the organization
- Creates a sense of loyalty in a competitive environment
- Provides a high-energy working environment
- Boosts business growth
- Makes the employees effective brand ambassadors for the company

A highly engaged employee will consistently deliver beyond expectations. In the workplace research on employee engagement (Harter, Schmidt & Hayes, 2002) have repeatedly asked employees 'whether they have the opportunity to do what they do best everyday'. While one in five employees strongly agree with this statement. Those work units scoring higher on this perception have substantially higher performance.

Thus employee engagement is critical to any organization that seeks to retain valued employees. The Watson Wyatt consulting companies has been proved that there is an intrinsic link between employee engagement, customer loyalty, and profitability. As organizations globalize and become more dependent on technology in a virtual working environment, there is a greater need to connect and engage with employees to provide them with an organizational 'identity.'

FACTORS LEADING TO EMPLOYEE ENGAGEMENT-

Studies have shown that there are some critical factors which lead to Employee engagement. Some of them identified are



Career Development- Opportunities for Personal Development

Organizations with high levels of engagement provide employees with opportunities to develop their abilities, learn new skills, acquire new knowledge and realize their potential. When companies plan for the career paths of their employees and invest in them in this way their people invest in them.

Career Development – Effective Management of Talent

Career development influences engagement for employees and retaining the most talented employees and providing opportunities for personal development.

Leadership- Clarity of Company Values

Employees need to feel that the core values for which their companies stand are unambiguous and clear.

Leadership – Respectful Treatment of Employees

Successful organizations show respect for each employee's qualities and contribution –regardless of their job level.

Leadership – Company's Standards of Ethical Behaviour

A company's ethical standards also lead to engagement of an individual

Leadership – Company's Standards of Ethical Behaviour

A company's ethical standards also lead to engagement of an individual

Image

How much employees are prepared to endorse the products and services which their company provides its customers depends largely on their perceptions of the quality of those goods and services. High levels of employee engagement are inextricably linked with high levels of customer engagement.

OTHER FACTORS

Equal Opportunities and Fair Treatment

The employee engagement levels would be high if their bosses (superiors) provide equal opportunities for growth and advancement to all the employees

Performance appraisal

Fair evaluation of an employee's performance is an important criterion for determining the level of employee engagement. The company which follows an appropriate performance appraisal technique (which is transparent and not biased) will have high levels of employee engagement.

Pay and Benefits

The company should have a proper pay system so that the employees are motivated to work in the organization. In order to boost his engagement levels the employees should also be provided with certain benefits and compensations.

HEALTH AND SAFETY

Research indicates that the engagement levels are low if the employee does not feel secure while working. Therefore every organization should adopt appropriate methods and systems for the health and safety of their employees.

Job Satisfaction

Only a satisfied employee can become an engaged employee. Therefore it is very essential for an organization to see to it that the job given to the employee matches his career goals which will make him enjoy his work and he would ultimately be satisfied with his job.

Communication

The company should follow the open door policy. There should be both upward and downward communication with the use of appropriate communication channels in the organization. If the employee is given a say in the decision making and has the right to be heard by his boss than the engagement levels are likely to be high

Family Friendliness

A person's family life influences his work life. When an employee realizes that the organization is considering his family's benefits also, he will have an emotional attachment with the organization which leads to engagement.

Co-operation

If the entire organization works together by helping each other i.e. all the employees as well as the supervisors co-ordinate well than the employees will be engaged.

How to measure Employee Engagement?

Gallup research consistently confirms that engaged work places compared with least engaged are much more likely to have lower employee turnover, higher than average customer loyalty, above average productivity and earnings. These are all good things that prove that engaging and involving employees make good business sense and building shareholder value. Negative workplace relationships may be a big part of why so many employees are not engaged with their jobs.

Step I: Listen

The employer must listen to his employees and remember that this is a continuous process. The information employee's supply will provide direction . This is the only way to identify their specific concerns. When leaders listen, employees respond by becoming more engaged. This results in increased productivity and employee retention. Engaged employees are much more likely to be satisfied

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in their positions, remain with the company, be promoted, and strive for higher levels of performance.

Step II: Measure current level of employee engagement

Employee engagement needs to be measured at regular intervals in order to track its contribution to the success of the organization.

But measuring the engagement (feedback through surveys) without planning how to handle the result can lead employees to disengage. It is therefore not enough to feel the pulse—the action plan is just as essential.

Knowing the Degree in which Employees Are Engaged?

Employee engagement satisfaction surveys determine the current level of employee engagement. A well-administered satisfaction survey will let us know at what level of engagement the employees are operating. Customizable employee surveys will provide with a starting point towards the efforts to optimize employee engagement.

The key to successful employee satisfaction surveys is to pay close attention to the feedback from the staff. It is important that employee engagement is not viewed as a one-time action. Employee engagement should be a continuous process of measuring, analyzing, defining and implementing.

The employee survey is a diagnostic tool of choice in the battle for the hearts of employees. Studies of Gallup, Mercer, Hewitt and Watson Wyatt (consulting companies) asked workers number of questions relating to their job satisfaction. Gallup being one of oldest the consulting organization {in conducting engagement survey} creates a feedback system for employers that would identify and measure elements of worker engagement most tide to the bottom line. Things such as sales, growth, productivity and customer loyalty are all accessed. After Hundreds of focus group and thousands of interviews with employees in a variety of industries, Gallup came up with Q. 12, a twelve-question survey that identifies strong feelings of employee engagement. They have identified 12 questions that most effectively measure the links (the Gallup Q12).

1. Do you know what is expected of you at work?

2. Do you have the materials and equipment you need to do your work right?

3. At work, do you have the opportunity to do what you do best every day?

4. In the last seven days, have you received recognition or praise for doing good work?

5. Does your supervisor, or someone at work, seems to care about you as a person?

6. Is there someone at work who encourages your development?

7. At work, do your opinions seem to count?

8. Does the mission/purpose of your company make you feel your job is important?

9. Are your associates (fellow employees) committed to doing quality work?

10. Do you have a best friend at work?

11. In the last six months, has someone at work talked to you about your progress?

12. In the last year, have you had opportunities at work to learn and grow?

The interpretation of the questionnaire and one of the companys engagement level is summarized in the table below.

	Retention	Customer	Safety	Productivity	Profitability
Opportunity to learn and grow	X	X	X	X	X
Progress in last six months		x	X	x	
Best friend	X	X	x	x	X
Coworkers committed to quality	x	x	x	X	X
Mission/Purpose of company	x	x	x	X	X
My opinions count		X	X	X	X
Encourages development	x	X	X	x	x
Supervision/Someone at work cares	X	X	X	X	X
Recognition last seven days	x	x	x	x	x
Do with I do best every day	X	X	X	X	X
Materials and equipment	X	X	X		
Know what is expected of me at work	X	X	X	X	

X - Strongest generalizable relationships across companies
x - Positive generalizable relationships across companies

Some of the discussions which come from Gallup's questions are: -

Know what is expected of me at work- employees should know exactly what is expected of them. If expectations are unclear, employees will inevitably face frustration, and will be open for other opportunities where they do know what' s expected of them, and where their contributions are measured and recognized.

Materials and equipment- Employees need the right tools and equipment to support their skills, experience and talents & perform their jobs at an optimum level.

Do what I do best every day - Are your employees cast in the right roles? Knowing the critical demands for every role is a key to ensuring that talents fit those demands.

Supervisor/Someone at work cares -Managers must spend most of their time with their most productive talent. Many managers give their greatest degree of attention to employees who are falling behind. Talented, productive people crave time and attention from their managers, and will leave your company if they have a weak relationship (or no relationship) with their manager or supervisor.

Co-workers committed to quality.-Many companies arbitrarily put teams together without considering that employees only psychologically commit to teams if they perceive their team members will support their high level of commitment and performance. Talented employees set high standards and depend upon those around them to support their growth toward excellence.

Opportunities to learn and grow- The Company should create an environment that encourages employees to drive towards innovation or to create better systems for more productive results. Great managers always ask what skills and knowledge need to accompany talent to result in the greatest outcome for each

As discussed the Gallup study Q12 is based on positive Psychology and emotions. Having a best friend at work or receiving recognition every week makes you feel cared for and proud respectively. If you want to keep recreating those positive emotions, then you keep coming back to work.

So the Q. 12 measures engagement, and engagement is a positive emotional connection to the work. Thus the mechanism of the broaden- and – build theories and the action tendencies of positive emotions help in understanding why the Q. 12 has been so powerful for Gallup in terms of predicting outcomes. Borden – and Build theory is about evolutionary significance of positive emotions. Positive emotions are better observed over the long haul. Their effects accumulate and compound overtime and the adaptive benefits are evident from later, when people face new challenges. The Gallup research has thus made a contribution in adding an additional 'P' to the 4 P's of marketing i.e. product, price, and promotion place and now people to the mix. In the combination of

engaged employees, Gallup brings engaged customers to form the concept of human sigma. These include customer engagement, loyalty and emotional attachment. Customer engagement hierarchy, customer engagement scores and developing the culture of engagement and customer focus. The Gallup Organization decided to initiate a multi-year research project to try and define a great workplace - a great workplace was one where employees were satisfied with their jobs and this thus helps to produce positive business outcomes.

According to the study of Watson Wyatt, the service – profit chain establishes relationship between profitability, customer loyalty and employee satisfaction, loyalty and productivity. The links in the chain (which should be regarded as propositions) are as follows: profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer's satisfaction. Satisfaction is largely influenced by the services provided to customers. Satisfied, loyal and productive employees create value. Employee's satisfaction in turn results primarily from high quality support services and policies that enable employees to deliver results to customers. While many organizations are beginning to measure relationship between individual links in the service only a few have related the links in the meaningful ways that can lead to comprehensive strategies for achieving lasting competitive advantage of building employee engagement. In a study of its seven telephone customer service centers (MCI found that there is a clear relationship between employee's perceptions of the quality of services and employee engagement.

Step II1: - Identify the problem areas

Identify the problem areas to see which are the exact areas, which lead to disengaged employees

Step IV: Taking action to improve employee engagement by acting upon the problem areas

Nothing is more discouraging to employees than to be asked for their feedback and see no movement toward resolution of their issues. Even the smallest actions taken to address concerns will let the staff know how their input is valued. Feeling valued will boost morale, motivate and encourage future input. Taking action starts with listening to employee feedback and a definitive action plan will need to be put in place finally.

CONCLUSION

Employee Engagement is the buzz word term for employee communication. It is a positive attitude held by the employees towards the organization and its values. It is rapidly gaining popularity, use and importance in the workplace and impacts organizations in many ways.

Employee engagement emphasizes the importance of employee communication on the success of a business. An organization should thus recognize employees, more than any other variable, as powerful contributors to a company' s competitive position. Therefore employee engagement should be a continuous process of learning, improvement, measurement and action.

We would hence conclude that raising and maintaining employee engagement lies in the hands of an organization and requires a perfect blend of time, effort, commitment and investment to craft a successful endeavor.

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AN ANALYTICAL STUDY OF DRIVERS OF EMPLOYEE ENGAGEMENT AMONG EXECUTIVES OF A MANUFACTURING ORGANIZATION : WITH SPECIAL REFERENCE TO HANDICRAFT INDUSTRY IN MORADABAD REGION

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ABSTRACT

Employee engagement is the level of commitment and involvement an employee has towards their organization and its values. Based on a review of available literature, this paper argues that the recently coined concept of employee engagement has a lot in common with the existing construct of employee motivation. Because of this similarity, these two concepts have been used interchangeably in this paper. Using a sample of 116 executives of a manufacturing organization, an attempt was made to discover the drivers of employee engagement. The study used a specially designed structured questionnaire that covered, besides employee engagement, a measure of job content and nine dimensions of organizational climate, Using correlation and multiple regression as statistical techniques, a set of four critical predictors (drivers) of employee motivation (engagement) have been identified, which together explain almost three—fourth of the variance in engagement. '

Key Words: *Employee engagement, organization climate, job content, drivers.*

INTRODUCTION

The concept of employee engagement has evolved out of the fairly long traction of studies on topics such as job , satisfaction, job involvement, work motivation and organizational commitment. All of these concepts, including employee engagement, are variations of the same fundamental issue. How to improve employee motivation and organizational performance?

Humanistic social scientists believe that the human spirit seeks fulfillment. through self-expression at work. For this expression to happen, an employee must be able to completely immerse himself in his work. In other words, an employee must be able to engage his- cognitive, emotional and physical dimensions in his work. That is the hallmark of employee engagement Conversely, disengagement can be, viewed as the detachment or decoupling of the self from ones work role, which- is manifested in employees withdrawing during role performance, Employee engagement, in other words, means an employees psychological identification their all to their jobs his job and the organization.

An organization, that utilizes the afore mentioned principles of positive psychology are able to enhance the level of employee engagement which, in turn is likely to improve organizational Performance. Employee Engagement has been found to have a positive relationship with productivity, profitability, safety, employee retention customer satisfaction (Buckingham & Coffman, 1999; Coffman & Gonzalez Molina, 2002).

What is Employee Engagement Kahn (1990)has defined employee engagement as "the harnessing of organization members selves to their work roles." In other words, engaged employees employ and express themselves physically cognitively and emotionally during role performances. Likewise, Hatter, Schmidt and Hayes (2002) define Employee engagement as "the individual's involvement and satisfaction with as well as enthusiasm for work." According to DDI (2005), engagement refers to "the extent to which people value, enjoy and Concerning (2005) call employee engagement "the illusive force that motivates employees to higher levels of performance.

Schaufeli et al. (2002) define employee engagement as "a positive, fulfilling, work- related state of mind that is characterized by vi our dedication and the absorption". Because engaged employee are fully present, they give all to their jobs and are willing to go the extra mile to achieve success (Kam1990) . According to Rutledge (2006) the truly engaged employees are attracted to and inspired by their Work.. The focal point of all of these definitions is the job assignment to a person and his physical, cognitive as well as emotional involvement with that job.

Some other scholars have defined employee engagement wherein the focal point is the organization instead of the work one does in the organization, For example Robinson, Perryman and Heyday (2004)have defined engagement as a positive attitude held by the employee is aware of the

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business context and works with colleagues to improve performance . Lucey , bateman and Hines (2005)interpret the Gallup Engagement Index as measuring how each individuals employee connects with the organization . Wellins and Concelman (2005) consider employee engagement as an amalgam of commitment loyalty, productivity and ownership.

According to Rutledge (2006), engaged employees care about the future of the company and are willing to invest the discretionary effort, exceeding duty's call, to see that the organization succeeds. Fleming, Coffman and Harter (2005)us the term "committed employee "as a synonym for engaged employee.

Today, there is widespread agreement among the academics as well as practitioners that engaged employees are those who are emotionally connected to the organization. We shall call this aspect of employee engagement as Organizational Commitment.

REVIEW OF LITERATURE

`Various characteristics of the job (e. g., autonomy, clarity, challenge, etc).,opportunities for career advancement, and participative management are found to positively related to organizational commitment. Sharma (2003) have found (a) job contents and (b) scope for advancement to be the critical determinants of organizational commitment. In another study of organizational commitment, Sharma & joshi (2001) found job content and performance appraisal to be the critical determinants.

Schaufeli, Bakker ; Van Rhenen (2009) found that job resources (i.e., social support, autonomy, opportunities to learn, and feedback) predict work engagement among telecom managers.

Likewise, Chen & Chen (2008) report significant relationship between work redesign and organizational. commitment among employees of Taiwan's three state—owned enterprises. Tao et al. (1998) have suggested that factors such as organizational climate, supervisory behavior, organizational tenure, role clarity, and inter personal relationships at the workplace are some of the determinants of commitment.

Inverson Buttigeig (1999) suggest that employee loyalty to the organization increases with factors like support from co—workers, job variety, and opportunities for promotion.

Sharma & Singh (1991} found a positive correlation between employees perception of pay and their commitment to the organisation. Agarwala (2003) reports a positive relationship between innovative HR practices and organisational commitment A significant relationship has been reported between career opportunities and organisational commitment (Blackhurst et al., 1998; Sturges et al 2002]. Rochi and Swardlow (1999) found a direct positive relationship between organisational commitment and situational factors like training, awareness of rules, and quality of supervision.

Apart from studying the role of the situational factors, some studies have also examined the role of personal attributes of employees in influencing their level of engagement. The personal factors most commonly studied are the demographic variables such as gender, marital status, age, length of work experience, level of education and/or grade of the employee. Thus, Kumar &_ Giri (2009) have reported a positive relationship between commitment and both age and length of work experience. Some other studies have also indicate the relationship between age and commitment (Mathieu fit Zajac, 1990; Cohen, 1993; Mayer Sr Schoorman, 1998; Abdulla Sr Shaw, 1999).

Kassahun (2005} reports a significant positive correlation between organisational commitinent and various HRM practices such as justice, autonomy and competence development. In so far as the role of background variables is concerned, the study found that commitment was positively related to job tenure but negatively to level of education. Kumar and Giri [2007) found a strong positive correlation between commitment and an overall measure of organisational climate. To sum up, the way employee engagement has been defined and operationalised by different authors, this construct is not really new. Instead, it appears to be a new label for an amalgam of a number of existing concepts like job involvement, organizational commitment, loyalty, work motivation and productivity. Practitioners of management and consulting firms claim that employee engagement is positively related to organisational health and performance. In the present paper, we have used the term employee engagement as a synonym for employee motivation and behaviour. And the measure used to study engagement is organizational commitment.

Empirical studies aimed at discovering the predictors (drivers) of employee engagement have investigated the role of both personal attributes of the employees as well the situational factors

having a bearing on their work experience. The personal attributes that are covered are mostly demographic characteristics and occasionally certain personality dimensions. The situational

factors generally studied are a variety of organizational policies and practices that can be subsumed under the heading` organizational climate/culture. Guided by the foregoing review of literature, we

have selected For this study a set of potential predictors of employee engagement keeping in view their relevance to the population and the organization under study.

About the Study

The study on which this paper is based was carried out in may 2011 by the authors. The organization covered is in the business of manufacturing brasswares and handicrafts items in Moradabad city of India.

The questionnaire used for the study was specially designed for the managerial and upper supervisory level .

Methodology

This study seeks to test the following broad hypothesis:

Employee Engagement is a function of Perceived Organizational Climate and job Content.

Employee engagement was measured with the help of the following four—item scale of Organizational Commitment

(1) I am willing to put extra efforts to help this company grow.

(2) I am excited about the future of this company as I see a lot of potential-for growth here.

(3) I will recommend this company to a friend/relative seeking employment.

(4) I never think about leaving this company to work somewhere else.

job Content was measured through the following four items:

(l) The tools and resources provided to the employees allow them to be effective in their performance.

(2) Employees here have a fair degree of independence in doing their jobs.

(3) In this company, all employees are provided with the required information to do their job well.

(4) All employees in this company have a clear idea of what is expected of them at work.

To measure the third construct (organizational climate), the following nine dimensions of climate were used, Each measured with the help of four statements;

(1) Career Opportunity
(2) Communication
(3) Compensation & Benefits
(4) Co-Workers
(5) Immediate Superior
(6) Learning &Development `
(7) Performance Management
(8) Recognition & Reward
(9) Senior Management
(10) Organizational Commitment
(11) Job Content

The eleven variables outlined above, each measured with the help of four statements, yielded a 44 itemed questionnaire. This "structured" questionnaire was completed by a sample of 116 junior and senior managers who, as shown below, constituted 3.2 per cent of the total population of managerial personnel in the industry under study:

Category	Population	Sample	% Covered
Senior Managers	80	30	37.5%
Junior Managers	304	86	28.7%
Total:	384	116	30.2%

Nearly half of the employees covered by this study are no more than 30 years of age, another about 30 percent are between 30 and 40 years old, while the remaining are more than 40 years of age. The average age for the sample being 33 years, the population covered is relatively young. For the sample as a whole, the average length of work experience in this company is only about seven years. If their previous work experience of 3 to 4 years is added, the total average work experience for the sample comes to around 10 to 11 years. This evidence is consistent with the relatively youthful profile of the managerial employees covered by this study. As many as 30 per cent of them are still unmarried.

Findings

Table 1 presents the findings of this study showing the mean score and standard deviation for each of the selected variables. To make the table reader-friendly, each mean score has been converted into percent and the nine dimensions of organizational climate have been listed in a descending order using mean score as the ranking device. Also shown in this table is the reliability coefficient (alpha) for each out the four- item scales used in the study,

Table 1. Status of Employee Engagement and the Drivers of Engagement (Organizational Climate)

Sr. No.	Variable	No. of items	Alpha	Mean Score	Std. Dev.	X Score as %*	Percentage of employee engagement
	Employee Engagement						
1	Orgn. Commitment	4	4-16	.77	1.5086	2.7203	54.24%
2	Job Content	4	4-16	.66	11.5862	1.73899	63.22%
3	Immediate Superior	4	4-16	.86	11.7500	204276	64.58%
4	Co-workers	4	4-16	.68	11.2759	1.8770	60.63%
5	Learning & Development	4	4-16	.70	11.2500	1.9286	60.42%
6	Senior management	4	4-16	.80	10.9655	2.5433	58.05%
7	Communication	4	4-16	.70	10.8276	2.1439	56.90%
8	Career Opportunity	4	4-16	.77	10.8276	2.1626	56.75%
9	Recognition & Reward	4	4-16	.77	9.8448	2.2326	48.71%
10	Performance Management	4	4-16	.80	9.6207	2.5010	46.84%
11	Compensation & Benefits	4	4-16	.83	8.9483	2.5791	41.24%

" Each mean score (X) was converted into percent score by using the following formula:

$$\text{Score as \%} = \frac{\text{‘ X Score — Lowest point of the score range}}{\text{Highest —Lowest point of the score range}} *100$$

Note: Alpha is a statistical tool to determine whether responses to all 4 items in a scale are consistent (reliable) for the sample as a whole. Alpha value of .60 (or above) is generally regarded Qs quite reliable.

The findings of this study show that each of the 11 scales used to collect data is quite reliable, with alpha ranging between .66 and .86.The level of employee engagement (=54.24%) is found to be not very high. It may be recalled that four statements were used to measure organizational commitment. The response to each statement was obtained on the following point scale; strongly agree agree (3); disagree (2); strongly disagree (1).Microscopic analysis of responses to each of these statements was carried out to identify employees who could be

Level of	Organisational Commitment	
Management	Number	X score*
Fully Engaged	31(27%)	13.61 (80%)
Partially Engaged	85 (73%)	9.38(45%)
All Employs	116(100)	10.5(54%)

for an explanation of how these three mean scores were converted into percentages, refer to the footnote at the bottom of table 1. The proportion of fully engaged employees is quite modest (27 per cent) in terms of organizational commitment, whereas 73 per cent of the employees are only partially engaged. Also, the average—level of engagement oft he fully engaged employees is considerably higher {30%) than that of the partially engaged employees {45%). These findings suggest that there is scope for raising the level of employee engagement in terms of organizational commitment.

High Rating	Moderate Rating	Low Rating
Immediate Superior (64.58%)	Senior Management (58.05%)	Recognition & Reward (48.71%)
Co- Workers (60.63%)	Communication (56.90%)	Performance Management (46.84%)
Learning & Development (60.42%)	Career Opportunity (56.75%)	Compensation Benefits (41.24%)

Analysis of Data support

To rest the hypothesis of employee at engagement being a function of job content and organizational climate, we first calculated zero order correlation between Engagement ` Organizational item and Each correlations found between commitment .

Sl.	Dimensions of	Organisational Commitment		
No.	Organisational Climate	Correlation	Df	P
1	Carrer ORganisational	.708	114	.001
2	Communication	.635	114	.001
3	Compensation & BEnefits	.785	114	.001
4	Co- Workers	.541	114	.001
5	Job content	.598	114	.001
6	Learning & Development	.609	114	.001
7	Performance Management	.739	114	.001
8	Recognition and Reward	.686	114	.001
9	Immediate	.468	114	.001
10	SeniorManagement	.670	114	.001

The correlations presented in Table 4 being vicariate and since the dimensions of climate are often correlated among themselves, it calls for multivariate analysis, The purpose of multi-variety analysis is to identify a smaller number Of Predicators that together Explain the highest amount of variance in the dependent variable. For identify the most critical drivers of employee engagement, it was decided to use step—wise multiple regression technique. The following conditions were specified for the acceptance of a set of critical drivers emerging from regression analysis:

(a) The combination of predictors to be accepted as critical must be one that explains maximum variance in employee engagement.

Table 5

Critical Barriers of Organizational Commitment

S. N.	Critical Drivers	Zero- Order Correlation (A)	Std. Beta Coefficent (B)	Individual Contribution (A*B)
1	Compensation nad benefits	.785***	.431***	33.83%
2	Performance Management	.739***	.275***	20.32%
3	Job Content	.598***	.195***	11.66%
4	Learning and Development	.609***	.128*	7.80%
R2 = .736 F4.111=77.244 P<.001 Total (R2)				73.61%

*P<.05**p<.01***p<.001

With the help of multivariate analysis we have been able to identify four critical variables out of the 10 potential I predictors of employee engagement.

Three out of these four predictors are constituents of the organizational climate, while the fourth stands for job I content. Once again we find adequate Support for the hypothesis that employee engagement is a function of job content and organizational climate. Between these two categories of predictors, climate plays the dominant role as its three dimensions together explain 61.95 per cent of the variance as technique, we were able to identify a set of four predictors of organizational commitment that met the above-mentioned two conditions. Together these four predictors explained-almost three-fourth of the variance [R2 = .736) in employee engagement. Further statistical evidence is presented in against the contribution of job content which is much lower (11.66 per cent).

Having identified four critical predictors of employee engagement, we tried to ascertain as to why the remaining six potential predictors failed to emerge as critical. As reported in Table 4, all

independent variables were found to be highly and significantly correlated with organisational commitment. But the findings reported in Table 5 show that only four out of those 10 variables turned out to be critical. When the combined effect of these four variables is controlled, the remaining six variables are unable to exert any significant impact on employee engagement. The 4* —order partial correlations provide data in support of this conclusion

Table 6

S. N.	Excluded Variable	Correlation with Organisational Commitment			
		Zero-Order Correlation	P	4th–Order Partical Correlation	P
1.	Career Opportunity	.708	.001	.072	n.s
2	Communication	.635	.001	.066	n.s
3	Co- Workers	.541	.001	.026	n.s
4	Recognition & Reward	.686	.001	.005	n.s
5	Immediate Superior	.468	.001	.071	n.s
6	Senior management	.670	.001	.046	n.s

Note: “n.s”stands for not significant

The reason for this dramatic fall in the predictive power of the six "excluded" variables lies in the fact that the nine dimensions of organisational climate are highly correlated among themselves. This phenomenon is referred to as multicollirnearity that plagues practically all social science research. By using statistical techniques like factor analysis, it is possible to reduce the severity of multicollinearity but past efforts have shown that it is impossible to eliminate it altogether. In the face of this fact of life, it is unsafe to rely entirely on bivariate analysis of data to establish _ relationships between variables. Instead, through multivariate analysis (like the one used in this paper) it is possible to distinguish the critical variables from the non-critical ones.

The Role of Demographic Variables

Apart from the potential predictors of employee engagement shown in Table l, data was collected relating to the• following demographic and occupational background variables: `

(1) Age

(2) Experience in this company

(3) Previous work experience

(4) Total work experience

(5) Marital status

(6) Grade

(7) Department

To find out whether any of the above background factors is one of the predictors of employee engagement, certain statistical tests were carried out and the results of which are presented in Tables 6 and 7. It is clear from the evidence reported in these two tables, that none of the background factors has \any role to play in influencing the level `bf employee engagement. It may be concluded, therefore, that the drivers of employee engagement are to be found largely in the situation with in which the employees are working, while their demographic background appears to play no role.

Table 6

Correlation between Employee Background and Organisational Commitment (N=116)

S. N.	Background Factor	Correlation with Organisational Commitement	Level of Significance
1	Age	.11	n.s
2	Experience in tis company	.08	n.s
3	Previous work experience	.02	n.s
4	Total work experience	.09	n.s

Note:”n.s stands for not significant”

Table 7

Difference of Means test to determine association between organizational commitment and certain background factors

S. N.	Background Variables	Organisational Commitment		T=Value (df=114)	P
		X Score	SD		
1	Marital Status				n.s
	Married (N=81)	10.59	1.49	0.50	
	Single(N=35)	10.31	3.22		
	Total (N=116)	10.51	2.72		
2	Grade			0.60	n.s
	Sr. Managers(N=30)	10.77	2.40		
	Jr. Managers(N=86)	1.42	2.83		
	Total(N=116)	10.51	2.72		

S. N.	Background Variables	Organisational Commitment		T=Value (df=114)	P
		X Score	SD		
3	Department Sr. Managers(N=30) Jr. Managers(N=86)	 10.77 1.42		 2.40 2.83	0.60
	Total(N=116)	10.51		2.72	

CONCLUSION

Even though the concept of employee engagement is of relatively recent origin, it has quickly caught the imagination of HR practitioners around the world, particularly in the United States. Full credit for the popularity of this concept goes to the consultancy firms, which are in the business of carrying out engagement surveys for their clients. By and large, research scholars from the academic world have shied away from using "engagement" as a topic for serious scientific investigation. One of the reasons for their lack of interest might be due to the basic similarity between the traditional concept of "work motivation" and this new concept of employee engagement". As demonstrated by this paper, the operational measures of the two concepts are essentially the same - e.g., job involvement and organizational commitment, Because of this similarity, in this paper we have used the terms "engagement" and "motivation" interchangeably. Earlier research studies have shown that the predictors of work motivation (popularly called the "drivers" of employee engagement) are related mostly to the way the employees are treated by the management of an organisation. The findings of this study amply support this conclusion. 10 situational factors a were employed as the potential predictors of organisational commitment. Pour out of those 10 variables emerged as the critical predictors of commitment. "These four predictors relate to the following HR policies and practices of the organisations: •

(1) Provision of attractive compensation and benefits to the employees.

(2) Performance management system.

(3) Creation of jobs that provide adequate role clarity, autonomy . and support in the form of information, tools and resources.

(4) Provision of adequate facilities for training and development.

Acting together the above four predictors explain 73.6 per cent of the variance in employee engagement in the form of organisational commitment. In sharp contrast to` this robust finding, none of the seven demographic factors showed any significant association with organisational commitment. This suggests that employee engagement is largely a function of the organizational situation within which a person ` operates. Personal attributes in the form of demographic factors are found to have no influence on employee engagement. It is possible that certain aspects of a person's personality and /or his work values have a role to play in influencing employee engagement. Future research, therefore, should include those personal attributes in conjunction with the situational factors as potential predictors of motivation to work.

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FOREIGN DIRECT INVESTMENT IN INDIAN RETAIL SECTOR: A CRITICAL EVALUATION

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ABSTRACT

The present paper highlights upon the different views related with the Foreign Direct Investment (FDI) in Retail Sector; viz. i) Government's Views, ii) Retailer's Views, iii) Consumer's Views, and iv)Agriculturalist's Views.

Key words: *Foreign Direct Investment, Retailers*

INTRODUCTION

Foreign Direct Investment (FDI) certainly plays an extraordinary and unpredictive role in the global business regardless political set up of the world's countries, it provides, to a country with new markets, attractive marketing channels, cheaper production facilities, easy access to new technology, variety of products, incomparable skills and abundant financing. The Indian Retail Sector (IRS) is the fifth largest industrial sector in the world. Comprising of organized and unorganized sectors, retail sector is one of the fastest growing industrial industries in India, especially over the last ten years. FDI in IRS has been coined as a topic of hot discussion recently by the policy makers. This has been turned in to alarming attention of political parties, national unions, retailers' retail industrialists, and thinkers. The advent of FDI in India was witnessed during the end of the year1990's when the Central Government of India announced a number of reforms with aimed to help in the process of Liberalization, Privatization, Globalization (LPG), and deregulation of the Indian economy. Since then its inception there has been a remarkable surge in the FDI inflows in the country. (as per definition adopted by Indian government- It's a sale of finished or final product to the consumers, and not the intermediate goods which are to the further processed before sale in the market regardless wholesale or retail.)

The Foreign Direct Investment (FDI):

Foreign Direct Investment is an investment that is made to serve the business interest of investors in a company, which is in a different nation and different from the investor's country of origin. But in fact IRS is being expected that it would be played a very important role in developing the Indian economy .FDI may enable India to achieve a certain degree of price control, financial growth, and stability, It would be allowed India to focus on such areas that needed economic attention, and addressed various issues that continue to challenge the country.

FDI in India has increased over a period of time due to the efforts been made by the Indian government. The increased flow of FDI in India has given major boost to the country's economy and hence steps should be taken to make sure that the flow of FDI in India continues to grow opening new sector in the retail business. The Reserve Bank of India (RBI) and Foreign Investment Promotion Board (FIPB) are the 2 key government entities who control and monitor FDI in India. FDI in general is allowed in India except few sectors which are controlled by the government but a prior approval of the RBI and FIPB is needed to carry out certain business in India.

The decision of permitting Foreign Direct Investment (FDI) in the retail sector has been a continuing debate in India from recent past. Although FDI has been permitted in several sectors of the economy by the government of India yet, retail has been as an issue deliberated over in view of its possible impact on several sections of the society and on economy, particularly on small businesses. The government of India has kept is abeyance the final decision for permitting foreign multinationals through FDI, to Invest up to 51%in Joint Venture for the retail of their exclusive/branded products. This would be only permitted investment in branded retail, even in a single brand. It is worth mentioning that, at present, foreign brands are being retailing in India only through franchise agreements with certain multinational companies (MNCs). The major rationalization act carried out by the Government of India by changing policies pertaining to FDI in view of providing more jobs and improving the economy of the country. It is for this purpose that whilst allowing FDI the Government of India would be taken due care and has only permitted FDI in retail for single brands. By doing so, it would not displace the existing people in employment. Further, by permitting foreign direct investment in single brands it would also not dispense with the retailers in the local markets and the unorganized sector, which employ a huge number of people in the retail sector. Thus the retail market connects the producer of products with the ultimate consumer of the product and similar views being expressed by the supporters of the FDI in IRS .Of course it involves an act of selling at a profit as businessmen's business is to earn profit from business.

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Primarily, the retail market in India is divided in two sectors viz; i) organized and ii) unorganized retail sector. An organized retail sector is operated by license holder's retailers who have also been registered for sales tax, and mostly income tax payers, as per the government protocol for businesses. Whereas the unorganized retail sectors of the retail market refers to traditional low cost operating model owned, managed and controlled by individuals or their family (e.g. local general store – kirana, pan/beedi shop, pavement vendors etc.) The Indian retail sector is highly fragmented sector with more or less to 97% businesses is unorganized retail. This sector has main source of income for millions in India connects closely with agricultural products by farmers. It has a very high penetration in rural India with a contribution in Gross Domestic Production of up to 10% (GDP).

Research Methodology:

Considering the nature and purpose of the present paper, the research methodology covers mainly points viz; (i) objectives, (ii) hypotheses, (iii) data and materials, (iv) survey of literature etc.

Objectives:

The paper aimed to reach on certain conclusions with the four objectives- viz; (i) To Analyze that how the FDI is beneficial for Retailer sector in India. (ii) To understand suitability of the FDI culture in India. (iii) To Understand and analyze the views being expressed by the different parties related to the issue of FDI is IRS and similarly views being expressed by the thinkers on the issues, (iv) To evaluate the impact of FDI is IRS on (a) consumers, (b) agriculturist, (c) retailers, (d) job seekers and ultimately on the economy of the country.

Hypothesis-

The study set two hypotheses in order to provide base for the innovative creation and boosting thinking in the right direction viz.; (i) Retailers are not fully aware about the benefit and opportunities related to FDI and, (ii) There is no inter dependency between The Government and the Retailers.

Data & Material

The present study used primary and secondary both data besides information, figures and facts related in the FDI in Retail Sector. Main sources remained internet, journals, magazines and new paper.

Survey of Literature –

A Critical Evaluation of the Retail Sector and FDI with the Governments', Retailers' and consumers' view discussed in a few studies are being referred here as given below : **Chandra Athukorala Prema- (2009)** in his paper entitled "Outward Foreign Direct Investment from India" examined that emerging patterns and economic implications of Indian foreign direct investment against the backdrop of the evolving role of developing country firms (emerging multinational enterprises) as an important force of economic globalization. The novelty of the analysis lies in its specific focus on the implications of changes in trade and investment policy regimes and the overall investment climate for internationalization of domestic companies and the nature of their global operations. The findings cast doubt on the popular perception of the recent surge in outward foreign direct investment from India as an unmixed economic blessing, given the remaining distortion in the domestic investment climate. **Bhardwaj Satendra, Garg Priyanka, Sharma Ambrish, Sharma Rajeev (2011)** in their paper entitled "FDI in Retail Business – A Boon or Bane" observed that foreign investors are tremendously enthusiastic on charisma in India's retail sector. AT Kearney's 2005 Global Retail Development Index has termed India "The most compelling opportunity for retailers." There's sufficient reasons cited for this: the country is becoming richer, close to a quarter of the population is in the 20-34 age group in demand by marketers, and punter expenditure is anticipated to pick up in a major way. Both sides have been taking extreme positions. Those rooting for FDI assure overall opulence if it is permitted. Undeniably, FDI in retail is emerging as a sort of litmus trial to the government's pledge to liberalization, with Prime Minister also supporting advancement on this front. On the other hand, those divergent on the pitch claim it will mop away corner shops in every locality, chuck inhabitants out of jobs and bring unthinkable melancholy. This article develop an insight as to what are the trends in Indian Retail Industry, benefits and drawbacks of FDI in Retail, whether it will be beneficial for economy and finally the challenges in Indian Retailing. **Chakraborty, Chandana Nunnenkamp Peter (2006)** in their paper entitled "Economic Reforms, Foreign Direct Investment and its Economic Effects in India" defined that foreign direct investment (FDI) has boomed in post-reform India. Moreover, the composition and type of FDI has changed considerably since India has opened up to world markets. This has fuelled high expectations that FDI may serve as a catalyst to higher economic growth. They assessed the growth implications of FDI in India by subjecting industry-specific FDI and output data to Granger causality tests within a panel cointegration framework. It turns out that the growth effects of FDI vary widely across sectors. FDI stocks and output are mutually reinforcing in the manufacturing sector. In sharp contrast, any causal relationship is absent in the primary sector. Most strikingly, they find only transitory effects of FDI on output in the services sector, which attracted the bulk of FDI in the post-reform era. These differences in the FDI-growth relationship suggest that FDI is unlikely to work wonders in India if only remaining regulations were relaxed and still more industries opened up to FDI. **Chaturvedi Ila (2011)** in her paper entitled "Role of FDI in Economic Development of India: Sectoral Analysis" explained that FDI plays an important role in the development process of a country. It has potential for making a contribution to the development through the transfer of financial resources, technology and innovative and improved management techniques along with raising productivity. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth and development. It can act as a catalyst for domestic industrial development. Further, it helps in speeding up economic activity and brings with it other scarce productive factors such as technical know how and managerial experience, which are equally essential or economic development. Chari Anusha, **Madhav Raghavan T.C.A (2011)** in their paper entitled "Foreign Direct Investment in India's Retail Bazaar: Opportunities and Challenges" Cleared that the despite encouraging signs, India's retail market remains largely off-limits to large international retailers like Wal-Mart and Carrefour. Opposition to liberalizing FDI in this sector raises concerns about employment losses, unfair competition resulting in large-scale exit of incumbent domestic retailers and infant industry arguments to protect the organized domestic retail sector that is at a nascent stage. Based on international evidence, we suggest that allowing entry by large international retailers into the Indian market may help tackle inflation especially in food prices. Moreover, technical know-how from foreign firms, such as warehousing technologies and distribution systems can improve supply chain efficiency in India, in particular for agricultural produce. **Dhar Biswajit and Rao K. S. Chalapati (2011)** in their paper entitled "India's FDI inflows trends and concepts" explained that India's inward investment regime went through a series of changes since economic reforms were ushered in two decades back. The expectation of the policy makers was that an "investor friendly" regime will help India establish itself as a preferred destination of foreign investors. These expectations remained largely unfulfilled despite the consistent attempts by the policy makers to increase the attractiveness of India by further changes in policies that included opening up of individual sectors, raising the hitherto existing caps on foreign holding and improving investment procedures. This paper is an attempt to explain this divergence from the earlier trend. They observed that portfolio investors and round tripping investments have been important contributors to India's reported FDI inflows thus blurring the distinction between direct and portfolio investors on one hand and foreign and domestic investors on the other. These investors were also the ones which have exploited the tax haven route most. These observations acquire added significance in the context of the substantial fall in the inflows seen during 2010-11. **Singh Rahul (2011)** in his paper entitled "Foreign Direct Investment in India - Opportunities and Challenges" observed that with the advent of globalization, developing countries, particularly those in Asia, have been witnessing a massive surge of FDI inflows during the past two decades. Even though India has been a latecomer to the FDI scene compared to other East Asian countries, its significant market potential and a liberalized policy regime has sustained its attraction as a favorable destination for foreign investors. Further, examined the impact of inward FDI on the Indian economy, particularly after a decade of economic reforms, and analyzed the challenges to position itself favorably in the global competition for FDI. In this context, he further investigated the likely impact on FDI inflows to India as a result of increasing competition from another major emerging market economy, i.e., China, in the wake of its accession to the WTO and the opportunities and challenges present before it.

WHY FDI?

The different corners of the discussion platforms sounded different logic but the requirement for FDI arises out of three basic rationales;

1. To meet the gap between required investments to funnel economic growth and national savings,
2. To get strategic technology transfer and managerial expertise, and
3. To add to the competitive edge for exports given the international linkages arising out of FDI

FDI Policy with Regard to Retailing in India

1. FDI is allowed up to 100% in cash and carry wholesale trading and export – e.g. Wal-Mart has invested with Bharti in wholesale cash and carry business.
2. FDI up to 51% with prior approval from government in retail sale of 'single brand' Products.
3. FDI is not permitted in Multi brand retailing in India.

FDI in Single Brand Retail:

The government has not categorically defined the meaning of "Single Brand" anywhere neither in any of its circulars nor any notification but it implies that foreign companies would be allowed to sell goods sold internationally under a 'single brand' viz. Reebok, Nokia, Adidas. Retailing of goods of multiple brands, even if such products were produced by the same manufacturer, would not be allowed.

FDI in Multi Brand Retail:

The government has also not defined the term Multi Brand. FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof.

In one of the most eagerly anticipated economic reforms of the present government tenure, India has approved foreign direct investment in supermarkets, paving the way in for foreign retailers such as Wal-Mart Stores Inc. After a long debate in the Parliament the present cabinet on Nov. 24 approved 51 percent foreign ownership in multi-brand retail, with conditions, and full ownership in single-brand retail. However, implimetation part of the policy has been kept in abeyance for the time being.

The present paper mainly covers different aspects of the FDI is IRS discussion the view points of the i) Government, ii) Retailers, iii) Consumers, iv) Agriculturalist and ultimately to evaluate impact on the national economy.

Government's View Point:

The Prime Minister of India Shri Manmohan Singh had rebuffed calls to reverse a decision to open up India's retail sector to global giants such as **Wal-Mart Inc**, expecting the move will help farmers and consumers, increase employment and modernize a sector dominated by small stores. He was confident that foreign direct investment in retail will help to bring modern technology in the farm sector, less wastage and more jobs, as he said in meeting of the Youth Congress. The PM was confident that owners of small shops would be able to compete with large retailers. According to the Union Finance Minister Mr. Pranab Mukharjee "The process of change is never easy, be it for individuals, societies or nations. But change we must, it is inevitable. We are at all times responding in our own ways, individually as well as collectively, to our changing contexts – the local and the global. The challenge is to ensure that the process of change is not disruptive and it supports opportunities to enhance human well-being. And that is not easy. The problem arises because the process of change is not linear. There are always concerns, multiple implications for different segments of population, uncertainties and choices to be exercised from competing alternatives and objectives, all of which make the process invariably challenging. Foreign companies and multinational corporations will not be allowed to do business in Uttar Pradesh as said Mayavati. She had also warned that if the Congress-led United Progressive Alliance government fails to immediately withdraw the decision to allow 51 per cent foreign direct investment in multi-brand retail, she will be forced to take some "hard decision." Her Bahujan Samaj Party would oppose the move in Parliament and on the streets. She said the decision was taken to please the "Congress yuvraj" and enable "his foreign friends" and "foreign companies" to "reap economic benefits" at the cost of crores of small and petty traders, farmers, labourers and small and medium entrepreneurs." With the Vidhan Sabha elections just months ahead, the 'yuvraj' is campaigning to bring the Congress back to power in Uttar Pradesh with the aim of enabling his 'foreign friends' and MNCs to set up shop", she said. Tamil Nadu CM J Jaya lalitha's opposition to multi-brand retail will impact entry into three cities-Chennai, Madhurai and Coimbatore. The purported intention of the government seems to be to bring more foreign investment into the country to improve market efficiency and bring down inflation prevailing in the series of policy blunders made by the Congress led UPA government. The government should realize that constraints on farm products, on the supply side, which is a contributory factor to food inflation, cannot be addressed through the FDI route, but only by squarely addressing the infrastructural constraints through appropriate policy support. Senoir BJP Leader LK Advani also commented that "India must not imitate the development models of the West and the government must not "fool the people that foreign direct investment (FDI) into the retail sector is a panacea to solve all problems of poverty and unemployment". Delivering the keynote address on "India's yatra into the future", Advani reiterated the BJP's firm opposition to the proposal and squarely blamed the government for the current imbroglio in Parliament. He wanted the government to answer: "Why bring the FDI into the retail sector now? Why are blindly imitating the West's model of development, knowing fully well that this model is not only unsustainable but has also landed western economies into a deep crisis?" He said, "How many people in our society can it benefit? Why is the government so slavishly looking at foreign investment in a sector like retail for answers to problems created by its own mismanagement of the economy such as inflation, price rise and unemployment? The UPA government is fooling people by claiming that FDI in retail will create millions of jobs and bring down inflation. BJP leaders Sushma Swaraj and Arun Jaitley emphasized that the proposal to allow FDI in retail was part of an NDA document, and that BJP had never supported FDI in retail. The NDA's proposal to allow 100% foreign direct investment in retail trade in 2002 did not go beyond the GoM level, but the NDA Vision document for the 2004 elections, hosted on the BJP website, had also made a case for allowing 26% FDI in retail. Gujarat Chief Minister Narendra Modi dispelled a "misconception" that his supervision was in foster of a UPA government's preference to concede Foreign Direct Investment in multi-brand sell trade., Mr. Modi pronounced he was with a BJP in honor of a FDI in sell that is in a seductiveness of a nation. Rajasthan Chief Minister Ashok Gehlot has termed as unfortunate the Opposition parties move of agitation and stalling proceedings in Parliament and said that instead of this negative stand they could exercise their option on the issue in the states being ruled by their governments. Mr. Gehlot also reiterated that his government in this state would fully safeguard interests of local farmers, retailers and consumers. Hailing the Center's decision on opening for FDI multi-brand retail sector as a welcome decision, Mr. Gehlot said this was a well thought-out decision which had been taken after prolonged discussions and evolution of an ideal Indian model which was suitable to our market needs and entirely different from those being practiced in Asia, Africa and South American developing nations. Madhya Pradesh Chief Minister Shiv Raj Singh Chouhan has already expressed his intentions regarding this move of the Centre stating that he would not allow FDI in retail sector in Madhya Pradesh. He said, "I want to ask the Central Government, how many people will lose their jobs because of this FDI? If providing jobs to a few people will result in loss of jobs for several others, how can we call it a justified step?" Since one store of Wall mart is already operative in the State capital, the Government claims that it is not a retail store and the BJP Government in the State has never opposed major projects having FDI. In fact nutshell, the FDI in IRS is not more than a political debate in view of the politician.

Retailer's View Point:

Pantaloon Retail, India's largest listed retailer and part of the Future Group, runs stores under its lifestyle brands Pantaloon and Central. Future also operates the Big Bazaar hypermarket chain and supermarket brand Food Bazaar, under the unlisted Future Value Retail. Indian multi brand retailers may split their business to induct foreign partners in select states after several state said they will not allow foreign direct investment in food and grocery chains despite the Union Cabinet giving it's nod "We are open to all possibilities and will evaluate every possibility" said Sanjiv Goenka Group chairman of RP Sanjiv Goenka Group (Formerly RPG Group), which runs Spencer's retails. The Central government had allowed 51% FDI in multi-brand retail with stringent conditions on back end investment, market accessibility and sourcing, but the move has run into widespread opposition parties, parlaying Parliament. An insider at the country's largest retailer Future Group said there is merit in clubbing retail stores and other assets located in states favoring FDI into a company where a foreign retailer can pick up equity and there can be states not in favors of FDI .Another senior official of future Group said that the retailer wants to induct develop back-up operation. Reliance Retail the country's second largest retailer mean while, said it does not plan to rope in foreign partners for its existing business and will expand on its own. Reliance Retail president and Chief Executive Officer (Lifestyle) Bijou Kurien said that it would take some time before MNC retailers make a mark here as they will have to set up a supply chain for food and grocery retail across the country before offering high discounts to sway consumers". YK Sharma owns a grocery store in New Friends Colony is unfazed by new of the Centre allowing 51% foreign direct investment (FDI) in multi-brand retail. Multi brand stores whether owned by domestic of foreign firms-will not affect our business much. People will not travel long distances to buy daily needs. Only Indian firms were allowed to set up large multi-brand stores, such as Big Bazaar, while foreign firms could sell only their won brands from their stores. Some sections have expressed concern that the entry of cash rich foreign retailers will unleash price wars in every segment from atta to toiletries and wipe out neighborhood grocers. Similarly, the retailers also have not certain direction on the question of FDI is IRS would be or not. They are also, more or less, government by the political views.

Consumer's View Point:

A majority of consumers and farmers, surveyed by industry body Assoc ham, have supported the government decision to allow FDI in multi-brand retail, while 80 percent traders opposed the move. The chamber surveyed over 2,000 people including farmers, consumers and traders across 10 major cities like Delhi, Mumbai, Kolkata and Chennai. About 90 percent of consumers said that the entry of big retailers like Wal-Mart, Tesco and Carrefour would bring in a wide range of branded goods which would also help in bringing down the prices. Further, over 75 percent of farmers felt that opening up of the sector would help in getting them the right price since they would be directly dealing with retail stores, thus, cutting the role of middlemen. It said investments which would flow in agricultural back-end and supply chain would ensure food security through curbing wastages and ultimately benefit end-users. The consumer, while buying from the small retailer for his or her daily needs, will still go to the big store in the mall for monthly shopping. However, that does not mean the retailer loses business. The consumer will buy goods in bulk at the mall but continues to purchase small items from the local retail shops. It is a win-win situation for the mall, the retailer and the consumer. The big debate on retail FDI is completely off-track and unwarranted. Headlines of 'mom-and-pop' stores losing business, loss of living for many retailers, etc. do not have any justification, if the consumer prefers to buy in the mall, he does so because of prices and not due to anything else. The local retailer will have to bring down prices to levels of those offered in big stores to survive. That means better inventory management, better people management and use of systems. The consumer benefits from paying lower prices in malls for monthly shopping; he or she also pays lower prices for his or her daily shopping requirements. The quality of goods sold will also improve at the retail level. Big stores bring quality brands to the consumer. When that happens, consumers used to quality will baulk at buying sub-standard goods from a retailer. The retailer will then introduce better quality control, leading to improved standards in retailing. Government policies will have nothing to do with consumer behavior. The government has to make sure that the best is available to the consumer at the lowest price and that means opening up the retail sector to world-class players. Sellers and Consumers have opposite interest. When FDI in IRS being opposed by the retailers then alimentally Consumers would be welcome it.

Agriculturalist's View Point:

According to Mr.P. Chengal Reddy, (Secretary General, Consortium of Indian Farmers Associations) for hundreds of years, Indian farmers are dependent only on adthiyas, Lalas and commission agents to market their produce. Farmers are familiar about the exploitation in the marketing system. The adthiya charges 10% commission for the auctioning and deducts 10% on the pretext quality deficiency. The farmers incur over 3% - 5% expenditure to take the produce from his field to the market yard on packing, loading, unloading, transport and other incidentals. 25% net Loss is incurred by farmers within few hours of commencing marketing. In many parts of the country the auctioning commences in the early hours when there is no light. The weighing machines are not in working order. The auctioning system is done under a cloth. The prices in the market yard are never known to farmers. The adthiyas evade huge sales tax as well as income tax and there is a huge revenue loss to the state government and income tax department as all the transactions are illegal and are not recorded. The market reforms initiated by Dr. Manmohan Singh are great God Sent opportunity to the 600 million farmers as well as 1200 million consumers. The farmers now have alternative options to sell their produce to the retails or processing industries or exporters and also can do online trading. This will increase tremendous competition amongst the buyers. FDI in retail will be helpful to farmers, as it will establish producer groups and arrange for MOU between the farmers and retailers. The Government of India Agriculture Technology Management Agency Program (ATMA) has already established few million Commodity (Producer) Interest Groups/CIGs. The existing CIGs as well as farmers Associations working under Commodity Boards, farmers Clubs, Co-operatives will establish long term Agreement with the retailers. As the retailers require quality product in huge quantities he has to arrange for extension services, provide quality inputs and also arrange for packing at the farm gate in the village. The retailer will also need to establish cold chain or pre cooling units for perishables to avoid wastages. The contract farming will enable farmers to bargain for an assured Minimum price linked with quality and quantity. He will also be able to get traceability and group crop insurance. Direct procurement will eliminate 3-4 middlemen who are now taking away 40% - 50% commissions without any value addition. In this way it is a will win situation for farmers, retailers and consumers. It will also enable Indian speciality goods viz. Mango, Lichi, Chillies, Durram Wheat, BPT/Ponni Rice to be marketed as branded products in International markets. There is need to permit more retails in newly developing urban conglomerates. FDI will keep under check the highly exploitative Adthiya system. A reform in farm sector includes getting best technologies in the world to improve our productivity. Farmers must understand that technologies are available to control pests and diseases, water stress, brining alkaline and saline soils under cultivation. Farmers should also demand for crop protection, vaccines for their cattle, seed for quality fodder etc. Reforms must include removing controls, allowing exports and encourage

Farmers' association supports retail FDI: FDI in retail will eliminate middlemen at various levels in the chain, Mr P. Chengal Reddy, said that the Government move to allow 51 per cent FDI in retail will be helpful to the farm community as it would provide backward and forward linkages. Contrary to the general perception that this would be detrimental to the interest of farmers, it will help them in establishing producer groups and supplying them to retailers directly. More importantly it will eliminate middlemen at various levels in the chain, Mr. P. Chengal, said that no MNC can take a farmer for a ride as he knows how to tackle such a situation. Addressing a press conference here today along with the Chairman of CII, Andhra Pradesh, Mr Jay Galla, and Mr T.T. Ashok, Chairman CII South (over conference call), Mr Reddy felt that several politicians have begun to oppose this as if they were the protectors of interest of farmers.

Another farmers' body referred to another likely dividend from FDI: "FDI is expected to roll out cool chains that will bring the market closer to home, reduce the number of middlemen and enhance returns to farmers," said Prakash Thakur, the chairman of the People for Environment Horticulture & Livelihood Himachal Pradesh. "Highly perishable fruits like cherry, apricot, peaches and plums have a huge demand but are unable to tap the market fully because of lack of a cool chain and transport infrastructure. All this should see a boost with the opening up of retail for large investments through FDI," he said. Thakur has a point. Although India is the second-largest producer of fruits and vegetables at 200 million tonnes, its storage infrastructure is grossly inadequate. Of the 5,386 stand-alone cold storages, 80 per cent is used to keep potatoes. The cabinet kept this in mind while taking the FDI decision. Each foreign investor will have to invest at least $50 million (Rs 250 crore) in back-end infrastructure that will include cold chains, refrigeration and transportation.Bharatiya Kisan Sangh general secretary Prabhakar pointed to entrenched interests in the existing system. "The farmers are not getting the right price for their produce. The authorized agents of APMC (formed under the Agriculture Produce Market Committee Act) do not give us the right price, nor do we get it from the agents of Indian organized retail firms. What is needed is a regulatory mechanism which would ensure that farmers are not cheated and all their produce is bought, not selectively," he said. Krishan Bir Chaudhary, president of the Bharatiya Krishak Samaj, expressed the fear that the global giants could force the farmers to "dance to their tune". "Once they establish monopoly in the sector, they will force farmers to buy their recommended seeds and all this could affect the food security of the country", he added.

Benefits and Impact of FDI in Retail Sectors:

a) Inflow of investment and funds

b) Growth of Infrastructure

c) Knowledge Base / Technical know-how

d) Reduced Cost and Increased Efficiency

d) Franchising opportunity for local entrepreneurs

e) Increased local sourcing

f) Increase number and improve quality of Employment

g) Provide better value to end customers

h) Investment in supply chain, cold chains and warehousing

WHO IS AFRAID OF FDI IN RETAIL?

The following table showing the arguments coined by the government and oppositions on the FDI in IRS expressing their view points:

GOVERNMENT ARGUMENT	OPPSITION'S ARGUMENT
Huge Investment in the retail sector will see Gainful employment opportunities in agro Processing, sorting, marketing, logistics Management and front-end retail.	Move will lead to large-scale job losses. International experience show supermarket. Invariably displace small Retailers
At least 10 million jobs will be created in the next three years in the retail sector	Global retail giants will resort to predatory pricing to create monopoly. This can result in essentials, including Food supplies, being Controlled by foreign Organizations
A strong legal framework in the form of the Competition Commission is available to deal with any anti-competitive practices, including predatory pricing	Argument that only foreign players can create the supply chain for farm produce is bogus. International retail Players have no role in Building roads or generating power
There has been impressive growth in retail and wholesale trade after China approved 100% FDI in retail.	Fragmented marketed give larger options to consumers. Consolidated markets make The consumer captive. Allowing foreign players With deep pockets leads to Consolidation.
In any case, organized retail through India Corporate is permissible. Experience of the last decade shows small retailers have flourished in harmony with large outlets	Comparison between India and China is misplaced. China is predominantly a manufacturing economy. Its the largest supplier to Wal-Mart and other international Majors

The above views expressed favored to the consumers by the governments while protected to the retailers by the oppositions. Undoubtedly, both view points have their pros and cons up to certain extension. Therefore, an evaluation of FDI is IRS must be done keeping national economy at a glance.

Impact of FDI in IRS on national Economy:

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The retail sector of Indian economy is categorized into two segments viz.; i) organized retail sector and ii) unorganized retail sector. The unorganized retailer has been with the latter holding the larger share of the retail market since long back. It is also true that present the organized retail sector is catching up very fast. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the retail sector of Indian economy.

With the onset of a globalize economy in India, the Indian consumers' psyche has been changed. It is fact that the Indian Consumers always remained aware of the value of money, but now becoming more conscious while buying foreign made items. Now a day the Indian consumers are well versed with the concepts of quality of products and services. These demand the visible impact on the Retail Sector of Indian economy through FDI. The global retailers have advanced management know how in merchandising and inventory management and have adopted new technologies which can significantly improve productivity and efficiency in retailing. The entry of large low-cost retailers and adoption of integrated supply chain management by them is likely to lower down the prices. Also FDI in retailing can easily assure the quality of product, better shopping experience and customer services. They promote the linkage of local suppliers, farmers and manufacturers, no doubt only those who can meet the quality and safety standards, to global market and this will ensure a reliable and profitable market to these local players. As multinational players are spreading their operation, regional players are also developing their supply chain differentiating their strategies and improving their operations to counter the international players. This all will encourage the investment and employment in supply chain management. Moreover, joint ventures would ease capital constraints of existing organized retailers and FDI would lead to development of different retail formats and modernization of the sector. Therefore, FDI in retail would undoubtedly enable India to integrate its economy with the global economy. FDI will help to overcome both – the lack of experience in organized retailing as well as lack of trained manpower. FDI in retail would reduce cost of intermediation and entail setting up of integrated supply chains that would minimize wastage, give agriculturalist and producers a better price and benefit both producers and consumers. From the stand point of consumers, organized retailing would help reduce the problem of adulteration, short weighing and substandard goods besides reducing the number of mediators and middlemen.

The growth factors of the retail sector of Indian economy:

1) Increase per capita income which in turn increases the household consumption.
2) Demographical changes and improvements in the standard of living.
3) Change in patterns of consumption and availability of low-cost consumer credit.
4) Improvements in infrastructure and enhanced availability of retail space.
5) Entry to various sources of financing

The infrastructure of the retail sector will evolve radically. The emergence of shopping malls is going steady in the metros and there are further plans of expansion which would lead to more than 150 new ones coming up by the end of the year 2012. As the count of super markets is going up much faster than rate of growth in retail sector, it is taking the lions share in food trade. The non-food sector, segments comprising apparel, accessories, fashion, and lifestyle felt the significant change with the emergence of new stores formats like convenience stores, mini marts, mini supermarkets, large supermarkets, and hyper marts. Even food retailing has became an important retail business in the national arena, with large format retail stores, establishing stores all over India. With the entry of packaged foods like MTR, ITC Ashirvad, fast food chains like McDonald's, KFC, beverage parlors like Nescafe, Tata Tea, Café Coffee and Barista, the Indian food habits has been altered. These stores have earned the reputation of being 'super saver locations'.

With the arrival of the Transnational Companies (TNC), the Indian retail sector will confront following round of alterations. At present the Foreign Direct Investments (FDI) is not encouraged in the Indian organized retail sector but once the TNC'S get in they would try to muscle out their Indian counterparts. This would be challenging to the retail sector in India

Organized retailing entails trading conducted by licensed retailers and unorganized retailing includes all types of low cost trading like local shops, small roadside stores and temporary shops or door to door selling of various goods. Until now, according to the Indian retailing laws, Foreign Direct Investment in multi-brand retail market was prohibited. But government is thinking to open the FDI in retail in India which implies that foreign investment in retailing is possible up to 51%. Now the announcement of retail FDI in India has triggered a series of debates on both positive and negative notes and become political issue. So let’s discuss these things, what all this means to you through advantages and disadvantages:

Advantages of FDI in retail sector in India:

Growth in economy:

Due to coming of foreign companies’ new infrastructure will be build, thus real estate sector will grow consequently banking sector, as money need to be required to build infrastructure would be provided by banks.

Job opportunities: Estimates shows that this will create about 80Lakh jobs. These career opportunities will be created mostly in retail, real estate. But it will create positive impact on others sectors as well.

Benefits to farmers:

In most cases, in the retailing business, the intermediaries have dominated the interface between the manufacturers or producers and the consumers. Hence the farmers and manufacturers lose their actual share of profit margin as the lion’s share is eaten up by the middle men. This issue can be resolved by FDI, as farmers might get contract farming where they will supply to a retailer based upon demand and will get good cash for that, they need not to search for buyers.

Benefits to consumers:

Consumer will get variety of products at low prices compared to market rates, and will have more choice to get international brands at one place.

In the last years, the Public distribution system is proved to be significantly ineffective. In spite of the fact that the government arranged for subsidies, the food inflation has caused its negative impact continuously and it can be handled by FDI

Observations, Conclusion and Suggestions:

India’s retail sector remains off-limits to large international chains especially in multi-brand retailing. A number of concerns have been raised about opening up the retail sector to FDI in India. The first concern is the potential impact of large foreign firms on employment in the retail sector. In this paper argue that the potential benefits from allowing large retailers to enter the Indian retail market may outweigh the costs and benefits for Retailers and consumers. According to the Government view point it’s the recent times the consumer are showing much greater confidence and in a due response the retail players in the market are veering towards aggressive expansion plan. These Developments are clearly signaling an affluent time for retail sector. As the organized retail space in India continues to grow, it is likely to see a number of initiatives in the near future FDI in the multi-brand retailing sector and there is fresh flow of equity investment in this sector which will definitely give the Indian retail sector a much needed boost. As of now, there is no proper definition of retailing or retail formats in India. The government should also strictly enforce the quality standards for local production and imports current FDI policy allows

100% FDI in Cash–and-carry wholesale formats and 51% FDI is allowed in single brand retailing. However, the regulations have been interpreted as guiding to a blanket ban on foreign investments in the sector. FDI in Indian Retail sector should be opened up to substantially improve productivity and distribution system through modern format retailing. The government should come out with a policy statement laying down the roadmap for modern retail and allowing foreign investment in retail. Thus, FDI in the Indian retail sector should not be freely allowed by retailer but consumers should be significantly encouraged. Any how, debate should be continued till the retailers make their efforts to complete the EDI generated retailing system, Any how the tendency of holding, false MRP, greedy Pricing, adulteration, cheating, huge and high profit making etc. must be curbed. And an alternate injection may be FDI only.

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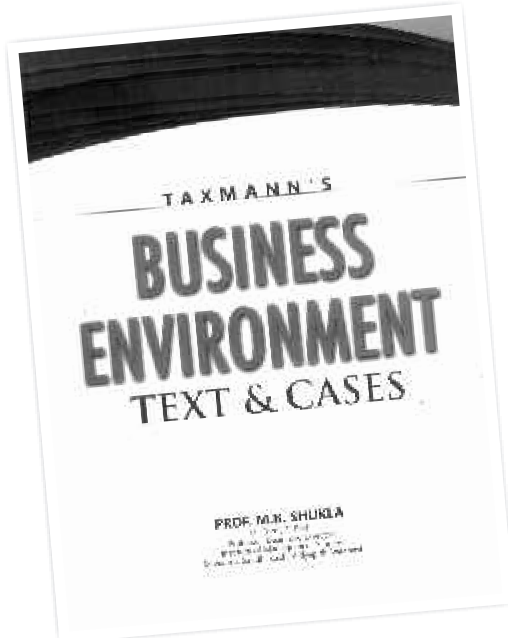

Business Environment: Text & Cases

by Prof. M. B. Shukla
Publisher - Taxmann Publications (P.) Ltd., New Delhi
Edition 1st 2012, Pages - 716, Price – 595
ISBN 978-81-7194-963-2
Reviewer: Dr Vinay K. Srivastava

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.

There are 53 chapters which categorized into 9 divisions in the book. They covers the Conceptual framework of business environment, Business and society cultures, Regulatory framework of business, Economic development in India, Economic and industrial policies, Indian financial system, Labour environment, International environment, and the last division provide a detail information about Contemporary issues on economic reforms in India, corporate governance, restructuring, media management, and bureaucracy & business.

The book is an attempt to give a comprehensive base to the subject covering all dimensions of the business environment. The book deals, quite comprehensively with the latest tools and techniques used and current trends in Indian business scenario. 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 Business Environment. 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.

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