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BOOK REVIEW

An International Bi-annual Refereed Research Journal

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*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.*

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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.

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CENTRAL UNIVERSITY OF BIHAR

Camp Office: BIT Campus, P.O. B.V. College, Patna 800014

Prof. Janak Pandey
Vice-Chancellor

Date: 12/07/2012

MESSAGE

I am glad to know that RKG group of institutions is going to publish the 7th issue of its journal **SAARANSH: RKG JOURNAL OF MANAGEMENT.** I have gone through a few issues of the journal and find it an overall excellent attempt. I am sure the journal will prove to be a successful carrier of views and result of various disciplines of management, and will emerge as a respected referred journal.

I send my warm greetings and good wishes on the occasion.

(Prof. Janak Pandey)
Vice-Chancellor

Dr. Vinay K. Srivastava
Associate Professor
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From the Desk of Chief Editor....

The corporate disclosure and professional ethics have been an issue of debates and discussions across the industry, stakeholders and academia etc. In India, a committee was established under the chairmanship of Mr. Kumar Mangalam Birla in 1999 to promote and raise the standards of corporate governance. The committee stressed the need for enhanced governance standards and suggested suitable amendments to the listing agreements. Several recommendations of this committee were incorporated in clause 49 of the listing agreement of stock exchanges. The committee submitted its report in February 2003 recommending the need for enhanced transparency and integrity of the capital market. In the light of foreign competition, public sector undertaking units (PSUs) were also on alert in ensuring the shareholders' confidence in the company. In order to make PSUs enter capital market to raise the funds, Government of India kept reforms of central Public Sector Enterprises (CPSEs) high on its agenda and developed a separate code of conduct for them. The code also ensures that the practices are in place and all CPSEs are accountable to their shareholders.

The major changes as a part of revisions were related to definition of independent directors, strengthening the responsibilities of audit committee and a code of conduct to be adopted by the board. However, since the larger numbers of companies were not prepared to fully implement the changes, SEBI extended implementation from March 2005 to December 2005. Responding to the queries by the companies on various ambiguities of revisions, SEBI, January 2006, issued a clarification note on "clause 49". The note comprised that the maximum time gap between any two consecutive board meetings could be extended to four months instead of three months and payment of fee for non-executive directors would not require shareholders approval. The note also stressed that CEO and CFO will be held responsible for deviations or manipulations if any, in preparation of financial reports. Thus, though the conceptual framework of corporate governance seems to be sound, its application is still far away from the expected benefits to the stakeholders.

I would like to extend my sincere thanks towards all who have contributed quality and informative research papers. I would like to express my heartfelt gratitude to our reviewers who contributed immensely in making SAARANSH a comprehensive and resourceful journal.

Dr. Arving singh

GLIMPSES ON PUBLIC SPENDING ON HEALTH AND HEALTH RELATED PROGRAMMES IN THE CONTEXT OF HEALTH CARE MANAGEMENT IN INDIA

Debjani Mitra*

Sudipta Sarkar**

ABSTRACT

The health of a nation is a crucial component of development. It is imperative to the nation's economic growth and internal stability. Assuring a minimal level of health care to the population is a decisive constituent of the development process. To maintain this decisive constituent of the development process expenditure on health is required. It is well known that health expenditure in India is dominated by private spending. To a large extent this is a reflection of the inadequate public spending that has been a constant if unfortunate feature of Indian development in the past half century. This is particularly unfortunate because of the large positive externalities associated with health spending, which make health spending clear merit goods. The Eleventh Five Year Plan will provide an opportunity to restructure policies to achieve a New Vision based on faster, broad-based, and inclusive growth. One objective of the Eleventh Five Year Plan is to achieve good health for people, especially the poor and the underprivileged. In this backdrop our current paper will concentrate on expenditure on health sector in India. It includes Health sector reform in India. Govt and private expenditure on Health in India and selected Asian countries in 2009 and their comparative study will also include in this paper. Pattern of central allocation for Health sector, pattern and growth of scheme-wise expenditure for health and National Rural Health Mission (NRHM) & AYUSH will include in this paper.

INTRODUCTION:

The health of a nation is a crucial component of development. It is imperative to the nation’s economic growth and internal stability. Assuring a minimal level of health care to the population is a decisive constituent of the development process. To maintain this decisive constituent of the development process expenditure on health is required. It is well known that health expenditure in India is dominated by private spending. To a large extent this is a reflection of the inadequate public spending. This is particularly unfortunate because of the large positive externalities associated with health spending, which make health spending clear merit goods. The Eleventh Five Year Plan will provide an opportunity to restructure policies to achieve a New Vision based on faster, broad-based, and inclusive growth. One objective of the Eleventh Five Year Plan is to achieve good health for people, especially the poor and the underprivileged.

In this backdrop our current paper will concentrate on expenditure on health sector. Section I includes Health sector reform in India. Govt and private expenditure on Health in India and selected Asian countries in 2009 and their comparative study will include in Section II. Section III will represent pattern of central allocation for Health sector. Pattern and growth of scheme-wise expenditure for health and National Rural Health Mission (NRHM) & AYUSH will include in Section IV and V respectively. Section VI includes concluding remarks.

Section I: Health Sector Reform in India

Reforms encompass a range of those purposeful efforts to change the system for improving its performance. Reforms have to be rational and logical. In India, since the early 1990’s considerable work has been undertaken related to health sector reforms, which has involved various government, international, multilateral agencies and other stakeholders. In fact innovative experiments are also being done across the States with varying degrees of success. Any health system would have 3 important goals: (i) Health sector or health system should work for improving the health status, but we know it's difficult to measure. (ii)It is customer satisfaction, which WHO refers to the health systems responsiveness. (iii) It is useful to pause and take stock of Indian health sector by improving life expectancy.

Recognizing the need for evidence based information about and assessment of various initiatives undertaken as part of the health sector reform in India, the Ministry of Health & Family Welfare, Government of India, in collaboration with the WHO Country Office, India has undertaken a review and documentation of health sector reform initiatives in India. The various methodologies employed included conducting a mailed survey to document reform initiatives underway in various states, compiling relevant information and data through secondary literature review, conducting an experience sharing national level, in depth documentation of experiences in select States through

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state visits and interviews with state officials, representatives from bi-lateral and multi-lateral agencies, NGOs etc.

As part of the first phase of this activity, reform initiatives underway in nine States, namely Gujarat, Himachal Pradesh, Karnataka, Madhya Pradesh, Orissa, Punjab, Rajasthan, Tripura and Uttaranchal have been compiled into a document. We know that the health system is highly heterogeneous and , complex with multiple actors, the large number of treatment providers belonging to different pathies and in different settings. We have a wide range of providers: formal and non formal , qualified and less than qualified, registered medical practitioners etc. They are working in the outreach, home settings, stand alone dispensaries, nursing homes and corporate sector world-class hospitals. The Government spending on health is an attempt to subsidize health care. Large chunk of population has to make out-of-pocket expenditures to access health care.

Last decade has been spectator to exceptional growth in numbers of the medical colleges, nursing colleges and other similar training institutions. There are multiple institutional players in organizing health care. We have the panchayat system who are responsible for providing primary health care, the State Governments providing predominantly budgetary support , Central Government for setting broad policy frameworks and also budgetary support and several autonomous institutions, railways, army, ESI, etc Also one cannot ignore very impressive presence of private sector players.

Section II: Government and Private Expenditure on Health in India and Selected Asian Countries in 2009

The theoretical case for public expenditure on health

According to the social scientists health care is different from other goods and services, because of greater possibility of "market failure". The two main characteristics of health care i.e. externalities and information asymmetries lead to market failure. Thus state intervention is necessary.

Generally externality is of two types: positive and negative. Positive externality benefits both the purchaser of the externality and others. But negative externality worse off all. In case of positive externality Govt intervention is needed for reaching sub-optimal level to optimal level. But in case of negative externality govt should intervene to stop the worsening. In health system negative externality exists. So Govt intervention is required. Thus some cost relating to this intervention should be spent by the economy for good health. So expenditure on health is required.

Asymmetric information implies any situation in which one party to any contract or exchange has access to some information that is not known to the other party. Such information asymmetries, primarily between the service provider and patient, encompass the health sector and cause market failure in both health care and health care insurance markets. This will lead to need for government intervention in the form of regulation. This is what makes the theoretical case for health expenditure by the government.

In this section we will discuss the govt and private expenditure on Health in selected Asian countries. These countries are Afghanistan, Bangladesh, Bhutan, China, India, Indonesia, Iran, Iraq, Japan, Malaysia, Maldives, Nepal, Pakistan, Sri Lanka and Thailand. We make a comparative study among these countries on the basis of (i) Total expenditure on health as a percentage of GDP, (ii) Distribution of General govt. & Private expenditure on health as a percentage of total expenditure on health, (iii) General govt. expenditure on health as a percentage of total govt expenditure , (iv) External resources for health as a percentage of total expenditure on health, (v) Social security expenditure on health as a percentage of general govt expenditure on health, (vi) Out-of pocket expenditure as a percentage of private expenditure on health, (vii) Private prepaid plans as a percentage of private expenditure on health.

Our estimates (Table 1) reveal that total expenditure on health as a percentage of GDP is higher in Maldives (8%) in 2009 and lower in Bangladesh (3.4%) in 2009. India has spent 4.2% of her GDP on health in 2009. Total expenditure on health in any country can be divided into two broad categories general govt expenditure and private expenditure on health. The govt expenditure on health as a percentage of total expenditure is higher in Bhutan (81.9%) and lower in Afghanistan (21.5%) in 2009. Compared to this, the private expenditure on health as a percentage of total expenditure in higher in Afghanistan (78.5%) and lower in Bhutan (18.1%) in the same year. In India private expenditure (67.2%) has the prime share on total health expenditure in 2009. In 2009 social security expenditure on health as a percentage of general govt expenditure on health is higher in Japan (81.5%) and lower(0) in many Asian countries. In India the corresponding figure is 15.9%. In Bhutan and Iraq 100% private expenditure is out of pocket. In India out of pocket private expenditure is 74.4% in 2009. Compared to this, only 2.3% of private prepaid plan takes the share of private expenditure in India during 2009.

Section III: Pattern of Central Allocation (Total for the Country & MOHFW) for Health Sector

In this section we will discuss the pattern of central allocation for health sector taking the country as a whole during different plan period. Total health sector can be divided into three categories: Health, Family Welfare and AYUSH. Health and family welfare merged with each other from 2005. Also AYUSH was created during 8th Plan (1992-97). Our estimates (Tables 2) reveal that central allocation towards Health has decreased from. 3.3% of total plan investment outlay in First Plan (1951-56) to Rs. 1.7% of total plan investment outlay during 8th Plan (1992-97) and then increased to 6.3% of total plan investment outlay in 11th Plan (2007-2012). Compared to this the central allocation towards Family welfare has increased from.0.1% of total plan investment outlay during 1st Plan (1951-56) to. 1.83% of total plan investment outlay during 10th Plan (2002-07). Similar trend has followed for AYUSH also. The central allocation towards AYUSH has increased from.0.02% of total plan investment outlay during Eighth Plan to 0.18% of total plan investment outlay during Eleventh Plan. Total allocation also varied during different plan period.

Section IV: Pattern and Growth of Scheme wise Expenditure for Health during 2002/03-2010/11

We have already discussed the pattern of central allocation for health sector in different plan period in India. In this section we will discuss the pattern and growth of scheme-wise expenditure for health in India during 2002/03-2010/11. Expenditure on health scheme can be divided into two broad categories: Centrally Sponsored Schemes and Central sector Schemes. These two programmes have several sub-programs which we will discuss later on. Our estimates (Table 3) reveal that the share of expenditure for health is on Central Sector scheme has decreased from 64.50% in 2002/03 to 57.75% in 2010/11. Compared to this the share of expenditure on Central Sponsored Scheme has increased from 35.50% in 2002/03 to 42.25% in 2010/11. The trend growth rate of expenditure on Centrally Sponsored Programme, Central Sector programme and all programmes are 26.90%, 22.96% and 24.47% during the period under study.

Now we consider the pattern and trend growth rates of expenditure on intra Centrally Sponsored Schemes, and Central Sector Schemes for health during the period under study.

A) **Centrally Sponsored Schemes:** Centrally sponsored schemes can be divided into three broad categories: a) Control of Communicable Diseases(CCD), b) Control of Non-Communicable Diseases(CNCD) and c) Regulatory, Quality Control including Capacity Building(RQCCB). The expenditure on CCD has followed a decreasing trend. It has decreased from 77.49% in 2002/03 to 64.48% in 2010-11. Similar trend has followed in case of CNCD. The respective figures are: 15.55% and 8.57%. Compared to this the expenditure on RQCCB has been followed an increasing trend during the period under study. It has increased from 6.96% in 2002/03 to 26.95% in 2010/11. Thus maximum share of expenditure is spent on CCD in India during the period under study. The annual compound growth rate of expenditure RQACCB in higher (41.49%) than that of CCD (25.58%) and CNCD (19.14%) during the period under study. The total expenditure on Centrally Sponsored Scheme has been grown at the rate of 26.90% during the period under study.

B) **Central Sector Schemes:** Central Sector Scheme can be divided into five broad categories: a) Strengthening of the Institutes for control of Communicable Diseases(SICCD) b)Strengthening of Hospitals and Dispensaries (SHD), c) Strengthening of Institutions for Medical Education Training & Research (SIMETR), d) System Strengthening including Emergency Medical Relief/ Disaster Management SSEMR/DM and e) others. Others includes Pradhan Mantri Swasthya Suraksha Yojana, Redevelopment of Hospitals or institutions etc. The share of expenditure on SICCD has decreased from 4.90% in 2002/03 to 2.54% in 2010/11. Similar trend have followed by SHD and SIMETR. The respective figures are: 14.98% & 9.63% for SHD and 74.89% & 9.65% for SIMETR. Compared to this the share of expenditure on SSEMR/DM has increased marginally from 5.23% in 2002/03 to 6.12% in 2010/11. Spectacular change in the share of expenditure on others scheme has been observed during the period under study. Initially the share of expenditure on others was nil and it reaches to 72.09% in 2010/1. Thus the shares of distribution of expenditure on different Central sector Scheme have been changed during the period under study. Thus the annual compound growth rates of expenditure on each scheme are also different. The total expenditure on Central Sector Scheme has been grown at the rate of 22.96% during the period under study. The growth rate is higher in case of expenditure on others scheme(184.79%) and lower for SIMETR(-9.10%) during the period under study.

Section V: Pattern and Growth of Scheme wise Expenditure for NRHM & AYUSH during 2002/03-2010/11

National Rural Health Mission (NRHM):

NRHM was launched to address infirmities and problems across primary health care and bring about improvement in the health system and the health status of those who live in the rural areas. The Mission aims to provide universal access to equitable, affordable, and quality health care that is accountable and at the same time responsive to the needs of the people. The Mission is expected to achieve the goals set under the National Health Policy and the Millennium Development Goals (MDGs). To achieve these goals, NRHM facilitates increased access and utilization of quality health services by all, forges a partnership between the Central, State, and the local governments, sets up a platform for involving the PRIs and the community in the management of primary health programmes and infrastructure, and provides an opportunity for promoting equity and social justice. The NRHM establishes a mechanism to provide flexibility to the States and the community to promote local initiatives and develop a framework for promoting inter-sectoral convergence for primitive and preventive health care. The Mission has also defined core and supplementary strategies.

In this section we will concentrate on the scheme-wise actual expenditure for NRHM during 2002/03-2010/11. The schemes for NRHM can be also divided into two categories: Centrally Sponsored Scheme and Central Sector Scheme. The share of expenditure on Centrally sponsored schemes has increased from 95.06% in 2002/03 to 97.88% in 2007/08 and then marginally decreased to 97.69%. Compared to this the expenditure on Central Sector Scheme has decreased from 4.94% in 2002/03 to 2.12% in 2007/08 and then marginally increased to t 2.31% in 2010/11. The expenditure on Centrally sponsored scheme for NRHM has grown at the rate of 21.47% during the period under study as compared to decelerating growth rate of expenditure on Central Sector Scheme at the rate of 2.40% during the period under study. The growth rate of expenditure on all the scheme (both Centrally Sponsored and Central Sector) has grown at the rate of 20.50% during the period under study.

AYURVEDA, YOGA AND NATUROPATHY, UNANI, SIDDHA, AND OMEOPATHY (AYUSH):

There is a resurgence of interest in holistic systems of health care, especially, in the prevention and management of chronic lifestyle related non-communicable diseases and systemic diseases. Health sector trends suggest that no single system of health care has the capacity to solve all of society's health needs. India can be a world leader in the era of integrative medicine because it has strong foundations in Western biomedical sciences and an immensely rich and mature indigenous medical heritage of its own. The AYUSH sector across the country supported a network of 3203 hospitals and 21351 dispensaries. The health services provided by this network largely focused on primary health care. The sector has a marginal presence in secondary and tertiary health care. In the private and not-for-profit sector, there are several thousand AYUSH clinics and around 250 hospitals and nursing homes for in patient care and specialized therapies like Panchkarma.

In this section we will concentrate on the scheme-wise actual expenditure for AYUSH during 2002/03-2010/11. The schemes for AYUSH can also be also divided into two categories: Centrally Sponsored Scheme and Central Sector Scheme. The share of expenditure on Centrally Sponsored schemes for AYUSH has increased from 15.78% in 2002/03 to 49.08% in 2007/08 and then decreased to 38.67%. Compared to this the expenditure on Central Sector Scheme for AYUSH has decreased from 84.22% in 2002/03 to 50.95% in 2007/08 and then increased to 26.86% in 2010/11. The expenditure on Centrally sponsored scheme for AYUSH has grown at the rate of 37.98% during the period under study as compared to accelerating growth rate of expenditure on Central Sector Scheme at the rate of 26.86% during the period under study. The growth rate of expenditure on all the scheme (both Centrally Sponsored and Central Sector) has grown at the rate of 29.62% during the period under study.

Section VI: Concluding Remarks

The health of a nation is a crucial component of development. It is imperative to the nation's economic growth and internal stability. Assuring a minimal level of health care to the population is a decisive constituent of the development process. To maintain this decisive constituent of the development process expenditure on health is required. In India, since the early 1990's considerable work has been undertaken related to health sector reforms. Thus the pattern of spending on health has also been changed. It is well known that health expenditure in India is dominated by private spending. Pattern of health spending on different components of health sector has been changing during the period under study. After health sector reform different schemes has taken for health expenditure. These schemes are centrally sponsored scheme and central sector scheme. Over the period distribution of these two types of schemes has changed. These two schemes of expenditure have also taken for NRHM and AYUSH. We can conclude from our study that prime position is taken by Central Sector Scheme for health expenditure and expenditure for AYUSH. But Centrally Sponsored Scheme has taken the prime position for NRHM. It is suggested that a sound health policy following the criteria of equity and efficiency which can be implemented if (i) the burden of expenditure on households be reduced to a considerable extent with the government initiatives; (ii) private sectors allocate the funds for preventive care; (iii) the entry of private sector should not result either in squeezing the fund by the public sector or crowed out the public sector. Enhancing Human Resource development for inclusive growth and "access to good quality" health services Government should increase the spending on health sector.

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(2) Economic Research Foundation: "Government Health Expenditure in India: A Benchmark Study" August 2006, New Delhi.

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(5) Planning Commission, Government of India, Eleventh Five Year Plan 2007-2011, Volume II, Social Sector.

(6) World Health Statistics 2009.

Table1: Government and Private Expenditure on Health in Selected Asian Countries in 2009

Location	Total expenditure on health as as a percentage of gross domestic product	General government expenditure on health as a percentage of total expenditure on health	Private expenditure on health as a percentage of total expenditure on health	General government expenditure on health as a percentage of total government expenditure	Externa resources for health as a percentage of total expenditure on health	Social security expenditure on health as a percentage of general government expenditure on health	Out-of-pocket expenditure as a percentage of private expenditure on health	Private prepaid plans as a percentage of private expenditure on health
Afghanistan	7.4	21.5	78.5	3.7	17.5	0	98.9	0
Bangladesh	3.4	31.7	68.3	7.5	8	0	96.5	0
Bhutan	5.5	81.9	18.1	13.3	7.6	0	100	0
China	4.6	50.1	49.9	10.3	0	66.3	82.6	6.2
India	4.2	32.8	67.2	4.1	1.1	15.9	74.4	2.3
Indonesia	2.4	51.8	48.2	6.9	1.8	13.7	73.2	3.7
Iran (Islamic Republic of)	5.5	39	61	8.7	0	67.6	96.6	3.2
Iraq	3.9	72.2	27.8	3.1	3.1	0	100	0
Japan	8.3	80	18.5	17.9	0	81.5	80.6	13.8
Malaysia	4.8	44.8	55.2	7.2	0	0.8	73.3	14.5
Maldives	8	64.9	35.1	7.5	1.2	0	72	4.6
Nepal	5.8	35.3	64.7	8.6	13.7	0	72.4	0
Pakistan	2.6	32.8	67.2	3.6	3.7	3.8	84.5	0
Sri Lanka	4	45.2	54.8	7.3	2	0	86.7	9.1
Thailand	4.3	75.8	24.2	14	0.5	9.1	68.1	24.2

Source: World Health Statistics, 2009

Table 2: Pattern of Central Allocation (Total for the Country & MOHFW) for Health Sector (Rs Crore)

Period	**Health**	**Family Welfare**	**AYUSH**	**Total**
First Plan (1951-56)	3.3	0.1	_	3.4
Second Plan (1956-61)	3	0.1	_	3.1
Third Plan (1961-66)	2.6	0.3	_	2.9
Annual Plans (1966-689)	2.1	1.1	_	3.2
Fourth Plan (1969-74)	2.1	1.8	_	3.9
Fifth Plan (1974-79)	1.9	1.2	_	3.1
Annual Plan (1979-80)	1.8	1	_	2.8
Sixth Plan (1980-85)	1.8	1.3	_	3.1
Seventh Plan (1985-90)	1.7	1.4	_	3.1
Annual Plan (1990-91)	1.6	1.3	_	2.9
Annual Plan (1991-92)	1.6	1.3	_	2.9
Eighth Plan (1992-97)	1.7	1.5	0.02	3.2
Ninth Plan (1997-2002)	2.31	1.76	0.03	4.09
Tenth Plan (2002-07)	2.09	1.83	0.05	3.97
Eleventh Plan (2007-12)	6.3		0.18	6.5

Source: Planning Commission of India

Notes: Dept of ISM & H (now AYUSH) was created during 8th Plan.

Dept of Health & Family Welfare merged from 2005.

Table 3: Pattern and Growth of Scheme wise Expenditure for Health during 2002/03-2010/11

Period	**Centrally Sponsored Programmes**	**Central Sector Schemes**	**Total**
2002-03	35.50	64.50	100
2003-04	32.86	67.14	100
2004-05	44.59	55.41	100
2005-06	44.46	55.54	100
2006-07	42.81	57.19	100
2007-08	48.83	51.17	100
2008-09	45.18	54.82	100
2009-10	36.86	63.14	100
2010-11	42.25	57.75	100
Growth	26.90	22.96	24.47

Source: BOP, MOHFW, GOI

Table 4: Pattern and Growth of Expenditure on Centrally Sponsored Programmes for Health during 2002/03-2010/11

Period	CCD	CNCD	RQCCB	Total
2002-03	77.49	15.55	6.96	100
2003-04	82.95	10.77	6.28	100
2004-05	72.22	14.68	13.10	100
2005-06	71.21	16.15	12.64	100
2006-07	78.89	9.49	11.62	100
2007-08	86.05	7.02	6.93	100
2008-09	75.96	12.19	11.85	100
2009-10	78.02	10.08	11.90	100
2010-11	64.48	8.57	26.95	100
Growth	25.58	19.14	41.49	26.90

Note: CCD: Control of Communicable Diseases, CNCD: Control of Non- Communicable Diseases, RQCCB: Regulatory Quality Control including Capacity Building.

Source: BOP, MOHFW, GOI

Table 5: Pattern and Growth of Expenditure on Central Sector Scheme for Health during 2002/03-2010/11

Period	SICCD	SHD	SIMETR	SSEMR /DM	Other	Total
2002-03	4.90	14.98	74.89	5.23	0.00	100.00
2003-04	5.48	16.57	68.77	8.13	1.05	100.00
2004-05	4.18	14.42	69.07	11.44	0.89	100.00
2005-06	4.65	16.42	69.87	8.79	0.28	100.00
2006-07	2.92	16.62	74.74	5.17	0.55	100.00
2007-08	3.57	11.42	29.53	3.83	51.65	100.00
2008-09	2.58	9.96	12.99	2.72	71.76	100.00
2009-10	3.07	9.85	10.20	13.27	63.60	100.00
2010-11	2.54	9.63	9.65	6.12	72.06	100.00
Growth	12.01	14.21	-9.10	19.71	184.72	22.96

Note: SICCD: Strengthening of the Institutes for control of Communicable Diseases, SHD: Strengthening of hospitals and Dispensaries, SIMETR: Strengthening of Institutions for Medical Education Training & Research, SSEMR/DM: System Strengthening including Emergency Medical Relief/ Disaster Management.

Source: BOP, MOHFW, GOI

Table 6: Pattern and Growth of Scheme wise Expenditure for NRHM during 2002/03-2010/11

Period	Centrally Sponsored Scheme	Central Sector Scheme	Total
2002-03	95.06	4.94	100
2003-04	91.09	8.91	100
2004-05	93.58	6.42	100
2005-06	95.34	4.66	100
2006-07	98.16	1.84	100
2007-08	97.88	2.12	100
2008-09	98.74	1.26	100
2009-10	98.61	1.39	100
2010-11	97.69	2.31	100
Growth	21.47	-2.40	20.50

Source: BOP, MOHFW, GOI

Table 6: Pattern and Growth of Scheme wise Expenditure for AYUSH during 2002/03-2010/11

Period	Centrally Sponsored Scheme	Central Sector Scheme	Total
2002-03	15.78	84.22	100
2003-04	36.17	63.83	100
2004-05	39.18	60.82	100
2005-06	59.19	40.81	100
2006-07	55.26	44.74	100
2007-08	49.05	50.95	100
2008-09	44.62	55.38	100
2009-10	37.34	62.66	100
2010-11	38.67	61.33	100
Growth	37.98	26.86	29.62

Source: Dept of AYUSH, Ministry of Health & Family Welfare

AN INVESTIGATION ON CATCHMENT AREA ANALYSIS AND CUSTOMER SATISFACTION TOWARDS BIG BAZAAR, CHENNAI

Vimala Sanjeevkumar

ABSTRACT

*Customers' experiences ultimately determine whether or not a company stays in business. The **importance of customer satisfaction** was a hot business topic in the 1980s, as customer satisfaction was considered the best window into loyalty. In the late '80s, however, researchers questioned whether customer satisfaction actually impacts overall performance. They found that the link between customer satisfaction and higher profits, ROI, or share of market is dubious.*

The research paper is about the identification of the customer satisfaction and catchment area of BIG BAZAAR's Business in vadapalani branch and its service. The researcher used descriptive research, and simple random sampling to identify the sample. The sample size of 111 was included in the study. Researcher sued Chi square test to test the hypothesis.

Key words: *Customer satisfaction, Catchment area, ROI*

INTRODUCTION

The importance of customers has been highlighted by many researchers and academicians. Zairi (2000) said "Customers are the purpose of what we do and rather than them depending on us, we very much depend on them. The customer is not the source of a problem, we shouldn't perhaps make a wish that customers 'should go away' because our future and our security will be put in jeopardy". That is the main reason why organizations today are focusing on customer satisfaction, loyalty and retention.

According to Hansemark and Albinsson (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire". Customer loyalty, on the other hand, according to Anderson and Jacobsen (2000) "is actually the result of an organization creating a benefit for a customer so that they will maintain or increase their purchases from the organization. Oliver (1997) said that customer loyalty refers to "a deeply held commitment to re-buy or re-patronise a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching behavior". True customer loyalty is created when the customer becomes an advocate for the organization, without incentive". According to Hoyer and MacInnis (2001), customer retention is "the practice of working to satisfy customers with the intention of developing long-term relationships with them". Zineldin (2000) said that retention can be defined as "a commitment to continue to do business or exchange with a particular company on an ongoing basis".

Catchment area is very important for each and every retail shop. It means to find the correct location of a store. In human geography, a catchment area is the area and population from which a city or individual service attracts visitors or customers. Catchment areas are generally founded either on formal local government boundaries or else on some other geographic basis. For example, a neighborhood or district of a city often has several small convenience shops, each with a catchment area of several streets. Supermarkets, on the other hand, have a much lower density, with catchment areas of several neighborhoods (or several villages in rural areas). This principle, similar to the central place theory, makes catchment areas an important area of study for geographers, economists, and urban planners.

Retail Analysis is an inherently complex and dynamic issue because of interactions that occur between different retail centers. If all retail centers were alike, offering exactly the same shops and services with regards to price and quality then we could assume that the population within the catchment would spend all of its money in the nearest centre. However, different centers are not the same and people's mobility means that they will often travel to their preferred destination instead of their closest one. Changes in population, access and retailing also alter relative attractiveness. An important element of the study is therefore to provide a robust assessment of the current catchment area of the city, taking into account different

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types of retailing such as food and non-food, with the latter disaggregated into bulky and non-bulky goods.

CUSTOMER SATISFACTION

Customer satisfaction is a term generally used to to measure a customer's perception of a company's products and services. customer satisfaction is that customers are most likely to appreciate the goods and services that they buy if they are made to feel special. This occurs when they feel that the goods and services that they buy have been specially produced for them or for people like them. This relates to a wide range of products such as razors that are designed for ease of use and good quality finish, petrol products that are environmentally friendly and customized to meet the needs of particular types of engines, etc. To understand customers—what customers are doing and what they're saying—companies need to examine the customers' interactions with their products and services through a different lens and discover where these are falling short. Fortunately, the "know your customer" adage has been taken to an entirely new level by experience analytics platform providers. In fact, Forrester has said that an experience platform ClickFox offers provides the unique capability to "identify discrepancies between system design and actual interactions across multiple channels to provide meaningful insight." Tracking actual customer behaviors and experiences across retail, online and contact centers provides powerful insights into the root cause of issues like poor satisfaction. Fast growing, successful companies retain and gain customer loyalty by doing more than simply resolving an existing problem.

CUSTOMER SATISFACTION DEFINITION

Despite extensive research in the years since Cardozo's (1965) classic article, researchers have yet to develop a consensual definition of consumer satisfaction. Oliver (1997) addresses this definitional issue by paraphrasing the emotion literature, noting that "everyone knows what [satisfaction] is until asked to give a definition. Then it seems, nobody knows" (p. 13). Based on the perception that satisfaction has been defined, most research focuses on testing models of consumer satisfaction (e.g., Mano and Oliver 1993; Oliver 1993; Oliver and DeSarbo 1988; Spreng, MacKenzie, and Olshavsky 1996; Tse and Wilton 1988) while definitional considerations have received little attention. As a result, the literature is replete with different conceptual and operational definitions of consumer satisfaction (see Table 1). As Peterson and Wilson (1992) suggest, "Studies of customer satisfaction are perhaps best characterized by their lack of definitional and methodological standardization" (p. 62).

Most definitions have favored the notion of consumer satisfaction as a response to an evaluation process. Specifically, there is an overriding theme of consumer satisfaction as a summary concept (i.e., a fulfillment response (Oliver 1997); affective response (Halstead, Hartman, and Schmidt 1994); overall evaluation (Fornell 1992); psychological state (Howard and Sheth 1969); global evaluative judgment (Westbrook 1987); summary attribute phenomenon (Oliver 1992); or evaluative response (Day 1984)). However, there is disagreement concerning the nature of this summary concept. Researchers portray consumer satisfaction as either a cognitive response (e.g., Bolton and Drew 1991; Howard and Sheth 1969; Tse and Wilton 1988) or an affective response (e.g., Cadotte, Woodruff, and Jenkins 1987; Halstead, Hartman, and Schmidt 1994; Westbrook and Reilly 1983). Furthermore, operational definitions may include a behavioral dimension of satisfaction (e.g., "I would recommend the school to students interested in a business career." (Halstead, Hartman, and Schmidt 1994)), although conceptual definitions are void of a behavioral orientation.

This study will focus on the concept of consumer satisfaction. As noted previously, the literature has been lax in distinguishing between consumer satisfaction, customer satisfaction, and satisfaction (see Cadotte, Woodruff, and Jenkins (1987) versus Churchill and Surprenant (1982) or Spreng, MacKenzie, and Olshavsky (1996) versus Smith, Bolton, and Wagner (1999) for examples). In other cases, neither consumer nor customer is used to qualify the term, satisfaction (e.g., Gardial et al. 1994; Mittal, Kumar, and Tsiros 1999). All of these studies, however, tend to be focused on the final user. Consistent with the literature, we will define the consumer as the ultimate user of the product. Although our focus is on the end user of the product, we recognize that, in some situations, the end user is also the purchaser. It is evident that the concept of consumer satisfaction applies in many marketing contexts: purchase (e.g., Swan and Oliver 1985), consumption (e.g., Cadotte, Woodruff, and Jenkins 1987), information considered (e.g., Spreng, MacKenzie, and Olshavsky 1996); and, even business consumption (Mowen and Minor 1998; Schiffman and Kanuk 2000; Solomon 1999). Thus, consumer satisfaction must be explicitly defined to delineate the context. In this study, consumer satisfaction pertains to the response of the end user who may or may not be the purchaser.

IMPORTANCE OF CUSTOMER SATISFACTION

When we buy a product or service, we expect it to be right. We don't jump up and down with glee saying "isn't it wonderful, it actually worked". That is what we paid our money for. Add to this our world of ever exacting standards. We now have products available to us that would astound our great grandparents and yet we quickly become used to them. The bar is getting higher and higher. At the same time our lives are ever more complicated with higher stress levels. Delighting customers and achieving high customer satisfaction scores in this environment is ever more difficult. And even if your customers are completely satisfied with your product or service, significant chunks of them could leave you and start doing business with your competition. A market trader has a continuous finger on the pulse of customer satisfaction. Direct contact with customers indicates what he is doing right or where he is going wrong. Such informal feedback is valuable in any company but hard to formalise and control in anything much larger than a corner shop. For this reason surveys are necessary to measure and track customer satisfaction.

Developing a customer satisfaction programme is not just about carrying out a survey. Surveys provide the reading that shows where attention is required but in many respects, this is the easy part. Very often, major long lasting improvements need a fundamental transformation in the company, probably involving training of the staff, possibly involving cultural change. The result should be financially beneficial with less customer churn, higher market shares, premium prices, stronger brands and reputation, and happier staff. However, there is a price to pay for these improvements.

FACTORS INFLUENCING CUSTOMER SATISFACTION

The product

Quality of the product

Length of life of the product

Design of the product

Consistency of quality

Range of products

Processibility of the product

Delivery

Delivery on **time & Speed of delivery**

Staff & Service

Courtesy from sales staff

Invoice **clarity**

Invoices **on time**

Representative's **availability**

Representative's **knowledge**

Reliability of returning calls

Friendliness of the sales staff Market **price**

The company

Reputation of the company

Ease of doing business

Service

Complaint **resolution**

Responsiveness to enquiries

After sales service

Technical service

Price

Total cost of use &

Value for money

REVIEW OF LITERATURE

While the literature contains significant differences in the definition of satisfaction, all the definitions share some common elements. When examined as a whole, three general components can be identified: 1) consumer satisfaction is a response (emotional or cognitive); 2) the response pertains to a particular focus (expectations, product, consumption experience, etc.); and 3) the response occurs at a particular time (after consumption, after choice, based on accumulated experience, etc). Consumer responses followed a general pattern similar to the literature. Satisfaction was comprised of three basic components, a response pertaining to a particular focus determined at a particular time.

Focus of the Response - The focus identifies the object of a consumer's satisfaction and usually entails comparing performance to some standard. This standard can vary from very specific to more general standards. There are often multiple foci to which these various standards are directed including the product, consumption, purchase decision, salesperson, or service. The determination of an appropriate focus for satisfaction varies from context to context. However, without a clear focus, any definition of satisfaction would have little meaning since interpretation of the construct would vary from person to person (chameleon effects).

Timing of the Response - It is generally accepted that consumer satisfaction is a postpurchase phenomenon, yet a number of subtle differences exist in this perspective. The purchase decision may be evaluated after choice, but prior to the actual purchase of the product. Consumer satisfaction may occur prior to choice or even in the absence of purchase or choice (e.g., dissatisfied with out-of-town supermarkets, which were never patronized, because they caused a local store to close). It has even been argued that none of the above time frames is appropriate since satisfaction can vary dramatically over time and satisfaction is only determined at the time the evaluation occurs. The consumer responses reinforced this varied timing aspect of satisfaction. In addition, the consumers discussed the duration of satisfaction, which refers to how long a particular satisfaction response lasts.

Dissatisfaction - The literature has taken two approaches to conceptualizing and operationalzing the dissatisfaction construct. Consumer dissatisfaction is portrayed as the bipolar opposite of satisfaction; or consumer satisfaction and dissatisfaction are viewed as two different dimensions. Since the literature does not provide a clear conceptualization of dissatisfaction, we turned to consumer perceptions. Consumers suggest that dissatisfaction is still comprised of the three components of the definitional framework: affective response; focus; and timing. However, the consumer data did not help resolve the dimensionality issue. We speculate that the apparent dimensionality of satisfaction might be understood by examining the focus of satisfaction and dissatisfaction. Consumers were sometimes satisfied with one aspect of the choice/consumption experience, but dissatisfied with another aspect. In this case, satisfaction and dissatisfaction can be viewed as different dimensions.

INTRODUCTION OF THE COMPANY

Big Bazaar is a chain of hypermarket in India, which caters to every family□s needs and requirements. This retail store is a subsidiary of Future group, Pantaloons Retail India Ltd. and is an answer to the United States Wal-Mart. Big Bazaar has released the doors for the fashion world, general merchandise like sports goods, cutlery, crockery, utensils, and home furnishings etc. at best economical prices.

Big Bazaar group offers more than 100 stores all over the country with an amalgamation of Indian bazaars feel and touch with a convenience and choice of the modern retail facilities. The retail format of the Big Bazaar group includes Aadhar, Rural & Home-Town retail chain, Ezone home-improvement chain, sportswear retailer, depot and music chain is few among others.worldwide country chain, Big Bazaar, is formed by CEO of Future Group, Mr. Kishore Biyani. The group do not promises more than what it delivers. Their basic attraction associated with reasonable prices is their Unique Selling Price.

Big Bazaar's journey began in October 2001 when the young, opened the first generation entrepreneur Kishore Biyani its first hypermarket retail outlet in Kolkata (formerly Calcutta). In the same month had two more stores are added - one each in Hyderabad and Mumbai, and thus begin a successful stay that began the chapter of organized retailing in India.Big Bazaar is present today in 59 cities and holding more than 5 million sq.ft. Open house and driving over 110 million footfalls in its stores. The format is expected that the number of footfall in the stores to increase by 140 million during this financial year. Over the years, Mr. Biyani for his vision and leadership, and Big Bazaar for its unique proposition to its customers "have received every prestigious consumer prices, both nationally and internationally.

OBJECTIVE OF THE STUDY

- To investigate the catchments area and customer loyalty of Vadapalani branch.
- To identify the satisfaction level of customer in big bazaar with respect to Location, merchandising, offer and discounts, varieties, Corporate social responsibility, home delivery and product range.
- To identify the customer satisfaction in other service and go green.

RESEARCH METHODOLOGY:

Descriptive Research

Descriptive research is also known as statistical research. The main goal of this type of research is to describe the data and characteristics about what is being studied.

Sampling

Sampling is to select of individuals from the whole population, it need to general to present the characteristic of the population. In this study, the population is infinite in nature, so researcher adopted the convenience sampling technique. Convenience sampling. It is a type of non-probability sampling which involves the sample being drawn from that part of the population which is close to hand. That is, a population is selected because it is readily available and convenient. The most popular data collection techniques include: surveys, secondary data sources or archival data, objective measures or tests, and interviews. In this study questionnaires are used. Company background information is obtained from the online web, annual report. Questionnaire method is to collect data through the questionnaires. Researchers list the relevant questions and ask respondents to answer them according to their personal situation. Questionnaires have the comparing advantage such as: it is easy to analyze, familiar to most people, it can reduce bias and less intrusive than face-to-face surveys.

Data Collection and Sampling

Primary Data

Primary data source is the first hand information obtained by the researcher. In this study the primary data was gathered through the questionnaires to study the relationship between the dependent variable and independent variables

Population and Sampling

The sampling frame for this study includes the customers of BIG BAZAAR, Chennai. The sample size for population 111 and the questionnaire were distributed to the customers who visited BIG BAZAAR. The sample size chosen for this study is 111 customers

Hypothesis

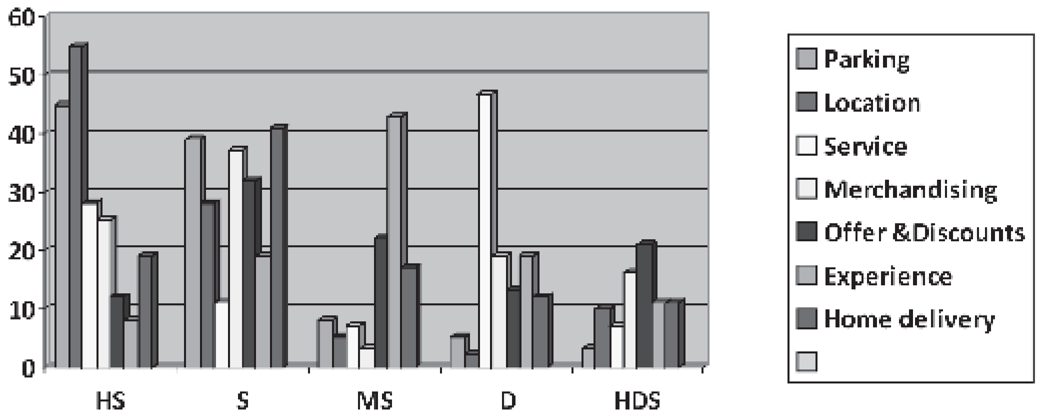
- There is no significant relationship between gender and satisfaction in service provided by customer executive.
- There is no significant relationship between location and occupation
- The respondents are satisfied with the clothing department in big bazaar

Technique of Analysis

Various statistical methods will be used to analyze the data collected from respondents. In this study, the Statistical Package for the Social Sciences (SP 16.0) will be used for the data analysis and chi square was used to test the hypothesis. Percentage analysis is used in making comparison between two or more series of data. Percentage is used to describe relationship. Percentage is also to compare the relative terms, the distribution of two or more series of data. The number of result can be converted into much out of hundred and to know as percentage analysis.

DATA ANALYSIS AND INTERPRETATION

S.No	Factors	Highly satisfied	Satisfied	Moderately Satisfied	Dissatisfied	Highly Dissatisfied
1	Parking	45	39	8	5	3
2	Location	55	28	5	2	10
3	Service provided by executives	28	11	7	47	7
4	Merchandising	35	37	3	19	16
5	Offer and discount	12	32	22	13	21
6	Experience with Big Bazaar	08	19	43	19	11
7	Home delivery	19	41	17	12	11



CHI- SQUARE TEST

Hypothesis :1

Comparison between gender and satisfaction in service provided by customer executive.

H0= There is no significant relationship between gender and satisfaction in service provided by customer executive.

H1=There is significant relationship between gender and satisfaction in service provided by customer executive.

Calculation

14	13	2	2	0.18
4	5	1	0.6	0.133
3	3	0.2	0.04	0.0125
20	21	1	1	0.055
4	3	0.8	0.6	0.178
17	18	1	2	0.110
8	7	1	0.8	0.114
5	5	0.3	0.06	0.013
32	31	1	1	0.039
4	5	0.3	0.06	0.013
	Calculated Value			**0.9475**

Degree of Freedom

The degree of freedom = (r-1) x (c-1)
= (2-1) x (5-1)
= 1 x 4 = 4

Calculated Value = 0.9475

Table Value

For 4 degree of freedom @ 5% significant level = **2.776**

Calculated Value (0.9475) < Table value (2.776)

INFERENCE

Here the calculated Value is less than table value. So our null hypothesis (H0) is accepted.

Therefore, there is no significant relationship between gender and satisfaction in service provided by customer executive.

Hypothesis :2

Comparison between occupation and Location

H0=There is no significant relationship between occupation and Location.

H1=There is significant relationship between occupation and location.

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Degree of Freedom

The degree of freedom = (r-1) x (c-1)

= (4-1) x (5-1)

= 3 x 4 = 12

Calculated Value = 13.752

Table Value

For 12 degree of freedom @ 5% significant level = **21.026**

Calculated Value (13.752) < Table value (21.026)

INFERENCE

Here the calculated Value is less than table value. So our null hypothesis (H0) is accepted. Therefore, there is no significant relationship between occupation and location of the store.

Run Test

Satisfaction in clothing department at Big Bazaar

S.No	Particulars	No. of Respondents
1	Yes	46
2	No	65

Hypothesis:3

H0= The respondents are satisfied with the clothing department in big bazaar.

H1= The respondents are not satisfied with the clothing department in big bazaar.

n 1 = 83; n2 = 37; V = 23

FORMULA:

2 n1 * n2

μv = --------------------- + 1

n1 + n2

2 * 46 * 65

μv = --------------------- + 1

111

μv = 54.87

2 n1 * n2 (2 n1 * n2 – n1 – n2)

σ2v = --------------------------------------

(n1 + n2) 2 (n1 + n2 – 1)

2 * 46 * 65 (2 * 46 * 65 – 46 – 65)

s 2v = ------------------------------------

(46 + 65) 2 (46 + 65 – 1)

5980 (5869)

= ---------------------

24420

35096620

= ---------------------

24420

s 2v = 1437.20

s v = 37.9

V-μ

Z = ---------------------

s

v

23 – 54.87

= --------------------- = - 0.840

37.

9

| | z = 0.840

The table value is being found as 1.96

The calculated value is 0.840

INFERENCE

Since the calculated value is lesser than the table value, we accept the null hypothesis and reject the alternate hypothesis. Therefore the respondents are satisfied with clothing department in Big Bazaar.

DISCUSSION AND FINDINGS

Sivadas and Baker-Prewitt (2000) said "there is an increasing recognition that the ultimate objective of customer satisfaction measurement should be customer loyalty". Fornell (1992) said "high customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition". This view was also shared by Anton (1996) who said that "satisfaction is positively associated with repurchase intentions, likelihood of recommending a product or service, loyalty and profitability". Loyal customers would purchase from the firm over an extended time (Evans and Berman,1997). Guiltinan, Paul and Madden (1997) said that satisfied customers are more likely to be repeat (and even become loyal) customers. The research paper reveals that they are not highly satisfied with the services provided by Big bazaar, so there si a question of loyalty with the customers. The chi square reveals that there is no significant realtion with the occupation and the location of Big Bazaar.

Sivadas and Baker-Prewitt (2000): "Satisfaction also influences the likelihood of recommending a departmental store as well as repurchase but has no direct impact on loyalty. Thus satisfaction in itself will not translate into loyalty. However, satisfaction will foster loyalty to the extent that it is a prerequisite for maintaining a favorable relative attitude and for recommending and repurchasing from the store. Once customers recommend a department store it fosters both repatronage and loyalty towards that store. Thus the key to generating loyalty is to get customers to recommend a store to others. Also, customers are likely to recommend a department store when they are satisfied with that store and when they have a favorable relative attitude towards that store". The satisfactions of customers are revealed in the parking, location and merchandising of Big Bazaar.

Evans and Berman (1997): "Companies with satisfied customers have a good opportunity to convert them into loyal customers – who purchases from those firms over an extended period". The experience with Big Bazaar seems to be moderately satisfied, so Big bazaar need to take measures to retain the existing customers. Clarke (2001) said, "a business that focuses exclusively on customer satisfaction runs the risk of becoming an undifferentiated brand whose customers believe only that it meets the minimum performance criteria for the category. Long-term customer retention in competitive markets requires the supplier to go beyond mere basic satisfaction and to look for ways of establishing ties of loyalty that will help ward off competitor attack". Most of the customers are much satisfied with the clothing brand with Big Bazaar. The percentage analysis and Chi square prove the same.

Sivadas and Baker-Prewitt (2000) also said that it is not merely enough to satisfy a customer. According to Reichheld (1996), 65 to 85 percent of customers who defect to competitors' brands say they were either satisfied or very satisfied with the product or service they left. Therefore, in order to ensure that customers do not defect, Bowen and Chen are correct to say that customers must to be extremely satisfied. As far as organizations are concerned, they want their customers to be loyal to them and customer satisfaction does not guarantee this. According to Storbacka and Lentinen (2001), customer satisfaction is not necessarily a guarantee of loyalty. They said that in certain industries up to 75% of customers who switch providers say that they were 'satisfied' or even 'very satisfied' with the previous provider.

Customers may change providers because of price, or because the competitor is offering new opportunities, or simply because they want some variation (Storbacka and Lentinen, 2001). Clarke (2001) said that customer satisfaction is really no more than the price of entry to a category. For satisfaction to be effective, it must be able to create loyalty amongst customers. Regarding the offers and discounts provided, the customers of Big Bazaar are somewhat satisfied. The above research study reveals that the catchment area possibility is not possible at this moment unless Big Bazaar improve the customer satisfaction with respect to various factors such as Customer service, pricing, favourable and good experience which enhance customer loyalty etc.

CONCLUSION

The researches study a clear idea to understand the catchment area of Vadapalani branch. Customer satisfaction is secret code for the success in business, Therefore in this study the researcher analyzes satisfaction level of each department. Customer executives should be given the product knowledge to give the better service to customers. Mobiles department in Big Bazaar should be improved to get the satisfaction of customers. Live demonstration and better service can be given to customers. Green Bags can be introduced in Big Bazaar as their corporate social responsibility towards the society. Based on the views and research done by numerous researchers and academicians, it can be concluded that customer satisfaction is very important. Thus, though customer satisfaction does not guarantee repurchase on the part of the customers but still it plays a very important part in ensuring customer loyalty and retention. This point has been echoed by Gerpott et al. (2001) when they said "customer satisfaction is a direct determining factor in customer loyalty, which, in turn, is a central determinant of customer retention". Therefore, organizations should always strive to ensure that their customers are very satisfied.

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DIRECT TAXES CODE: LEARNING TO LIVE WITH EET

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ABSTRACT

Tax is the most powerful instrument on the part of policy makers and the necessary tax reform to meet the economic goal should be of utmost importance. A well-defined and targeted tax reform can propel the economic growth of the country to greater heights and otherwise can cause the whole economy to fall apart. Thus, the process of successful implementation of tax reform is a tedious job and it needs utmost care. Any such tax reform should include utmost rationality with respect to economic status and future needs of the country. The India's reformed tax structure is more liberal, more investor friendly and less critical than any other previously drafted tax structure of India. This paper attempts to explain what EET is, why it is adopted, what the methodology of intro- ducing EET is and what its impact is. Since the changes proposed are structural changes, they are bound to create uncomfortable conditions for a large number of persons. Although the cut-off date of April 1, 2013 appears to be too far away, yet if the basics of living with EET are not learnt in time, its cost may be high for every one concerned.

Key Words: *EEE, EET, VAT, GST, tax structure, tax reforms*

INTRODUCTION

As we all know, the process of reforms initiated in nineties slowed down and was restricted to financial, insurance, industrial licensing sectors, etc. only. For various reasons, it was almost put on hold and, particularly both the direct and indirect taxes were kept out of it. However, looking to the steps unfolded in the last one year, it appears that it is gathering momentum. Sales tax has been replaced with Value Added Tax (VAT). Discussion for replacing Central Excise and VAT with Goods and Services Tax (GST) is at an advance stage of finalization. With the release of the Discussion Paper (DP) and draft Direct Taxes Code (DTC), the process of reform in Direct Taxes (DT) has already been commenced. Thus, there appears to be a committed movement on the part of the policy-makers to initiate the reform process in both the types of taxes, i.e., direct and indirect.

One of the major areas of reform under the DT is with respect to pruning of exemptions and deductions granted while computing taxable income. During the last fifty years, number of exemptions and deductions has been increasing resulting in taxing artificial income. In the last five years, there has been increasing awareness amongst the policy-makers about the cost of such exemptions and deductions. It is being felt that the revenue foregone in the process of granting exemptions and deductions is nothing but an expenditure which is named as 'Social Expenditure'. Since the last few years, the Budget Documents placed before the Parliament, contains a detailed list of various sections of direct and indirect taxes under which revenue foregone is quantified. The DP carries a detailed discussion about it and justifies the proposal for the removal of exemptions and deductions.

A glance at a table contained in the Budget Documents for the year 2011-12 will show that in the case of Individual taxpayers, total loss of revenue under section 80C of the Income-tax Act, 1961 is Rs. 77,389 crores. This is a fairly large amount.

Each exemption and deduction has its objective. For example, in the case of deduction from gross total income granted under section 80C, the objective is to give relief to the taxpayer for savings made for future, more particularly for his retirement age. Apart from that the savings so made are also providing resources for capital formation. In order to give greater push, the model followed so far was three-pronged viz., (a) to provide tax incentive in the year of investment, (b) not to levy tax on the income accruing on such investment, and (c) not to charge any tax when the investment matures in future. Thus, from the perspective of taxability, the entire process remains tax-free, i.e., Exempt, Exempt and Exempt (EEE).

Attempts made so far in this direction were half-hearted and lacking specific direction, nor were any attempts made to create the required infrastructure for pooling the resources in a specific direction to ensure that a person having reached the age of 60 years should be in a position to get steady flow of secured income. With the increase in longevity, the number of citizens living 70 years and above is also rising. Thus, with the change in composition of the demography, the problem of providing for pension or income from annuity is becoming acute.

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Pension system and income-tax

It is increasingly felt at global level that for economic stability of a nation, a robust Pension System (PS) is a must. In order to achieve the broader goal of social protection, it is necessary that ageing population of the society be provided with financial security. Politically all these may sound attractive, however, economically speaking it has to be carried out in a fiscally responsible manner. Under the PS, the role of the State is to focus on creating a system wherein steady income is provided to vulnerable elderly citizens. Any PS involves the problem of funding for the future liability. The easiest method is to keep funding of the liability open for the future generation. However, it can lead to disastrous results as the nation will have to honour the commitment for the future liability and not having sufficient resources for the same. Therefore, pre-funding of the pension commitments assumes importance. Economically speaking, it requires commitment of resources in the current period to improve the future requirements of the funds. Pre-funding enhances the capacity of the society to fulfill pension commitments as it ensures that liabilities are backed by assets.

So far the country has not taken any concrete steps for creating a system wherein a person after reaching the age of retirement, can earn steady income and maintain his standard of living. Although, both the Central and the State Governments are having the scheme of pension for its employees, it reaches to very small section of the society. In the case of private sectors, very few companies are having defined-benefit plan. For the people working in unorganized sectors, few options are available. With increase in longevity of the people, demographic changes are also taking place. Ratio of working people and retired persons is also changing very fast. Apart from that there is awareness amongst the people and the policy-makers to create a system wherein better care can be taken of the senior citizens. The Government has not been able to do much in this respect. It is increasingly felt that, as it has happened in other countries in the last twenty years, a system can be created wherein this problem can be taken care of by the people themselves. Role of the State should be to provide mechanism for pooling the resources in the form of savings, providing tax incentives and making available regulatory and administrative services. The funds accumulated from the taxpayers can provide vast resources for further developmental work and, in the process, raising the level of income.

Meanwhile, a major development in the area of pension sector has been alarming rise in future liability of the Central and the State Governments with respect to payment of pension to its employees. Till January, 2004 all the Governments have been following defined benefit plans exposing them to unlimited liability. However, in order to put an end to it, the said system was discontinued and new pension system has been introduced. That was the first step of the process of reform in pension sector. Second step is to streamline the tax treatment of contribution for pension system, income earned thereon and withdrawal there from either in the form of annuity or lump sum. It has to be ensured that different types of investment options get the same tax treatment throughout its term. The third step involves setting-up of mechanism for administration of the funds raised and development of regulatory authorities. With the implementation of the second and third step, the process of establishing a structured pension system will commence. In view of this, the amendments as proposed under sections 56 and 65 of DTC should be viewed in the larger context of reforms in the pension system rather than revenue raising or amending the ITA.

Relevance of EEE

The existing structure of EEE, i.e., exempts, exempt and exempt, was devised in early fifties and sixties wherein the country was in need of savings badly. In order to attract resources for development work, the Government provided substantial tax incentives under the DT. However, the scenario has changed since then and we have moved far ahead of the period of 50s and 60s. Nature and number of challenges have changed and, hence, the need for appropriate response. Meanwhile, at the global level, various countries which have experimented with this model, i.e., EEE also found it costly and moved to other models. The most common model which has appeared, and is prevalent today, is EET, i.e., Exempt, Exempt and Tax.

Justification for learning about EET

Every sane human being knows that a time will come when it will not be possible for him to earn for livelihood and, therefore, he will have to depend on savings made in the past. In India, savings of household sector forms more than 20 per cent to 25 per cent of the current earnings. Since it forms such a major part, taxation thereof also assumes importance. If an individual has to part with substantial portion of the savings so made for taxes, there is no point in foregoing the present consumption. Therefore, the knowledge of the taxation structure and corresponding system of investment, affecting hard-earned savings, assumes substantial importance. If EET is going to come and we have to live under it, there is no alternative except learning to live with it.

What is EET?

EET is a system under which (a) deduction is permitted from gross taxable income while computing tax liability, i.e., first limb 'E', (b) tax is not levied on income accruing on such investment, i.e., second limb 'E' and lastly (c) tax is levied on the amount withdrawn, i.e.,'T'.

Why EET?

Deductions granted under the first limb are considered as incentives. Tax incentives are of two types, viz., exemptions and deductions. The Discussion Paper in the Chapter XII, para 12.2, refers to tax incentives as inefficient, distorting, iniquitous, imposing greater compliance burden on the taxpayer and on the administration, resulting in loss of revenue, creating special interest groups, adding to the complexity of the tax laws, and encouraging tax avoidance and rent seeking behaviour. In order to encourage net savings, it is proposed to rationalize tax incentives. For the said purpose, the DTC proposes EET method of taxation.

Methodology of introducing EET

Let us examine each limb of EET under the proposed scheme of taxation:

(a) The first limb - 'E' – Deduction at the time of investment - The DTC provides for deduction in respect of contributions (both by the employee and the employer) to any account maintained with any permitted savings intermediary, during the financial year. This account will be required to be maintained with any permitted savings intermediary in accordance with the scheme framed and prescribed by the Central Government in this behalf. The permitted savings intermediaries will be approved provident funds, approved superannuation funds, life insurer and New Pension System Trust. The accretions to the deposits will remain untaxed till such time as they are allowed to accumulate in the account.

(b) The second limb - 'E' – Exempting income accruing on investment - Under the proposed scheme, the taxpayer will be having the option of making investment wherein income will be accruing periodically and appreciating in value as well. A question may arise about taxability of the income which has accrued and the right to receive has been crystallized in favour of the taxpayer. Under section 3 (1) (a) such income becomes taxable as and when it accrues. However, one does not find any specific clause under Schedule VI exempting such income. As a concept, EET means not levying tax on the income accrued till it is withdrawn for consumption. Discussion Paper refers to this principle and says that there will not be any tax on the income accruing till it is withdrawn. However, a specific clause in this respect is missing in Schedule VI.

(c) The third limb - 'T' – Taxing the withdrawals - As per the scheme laid down under DTC, any withdrawal made, or amount received, under whatever circumstances, from these accounts will be included in the income of the assessee under the head 'Income from residuary sources', in the year in which the withdrawal is made or the amount is received. Accordingly, it will be subject to tax at the appropriate personal marginal rate.

Impact of EET

To put it simply, in the first stage, tax deduction will be provided at the time of making investment in the prescribed manner. In the second stage, no tax will be levied on income accruing on such investment till it remains within the permitted system. Finally, in the third stage, tax is to be levied only when the investments are withdrawn, either fully or partly, in lump sum or periodically.

Tax impact, in the first stage, will be beneficial as, subject to the limits laid down, tax can be saved to the extent of investment made.

Tax impact, in the second stage, will also be beneficial as there will be no tax liability on income accruing to the investment made. A point to be remembered here is that rate of return will have compounding impact, as there will not be any outflow on account of tax. This will help in boosting the growth of the corpus at a faster rate.

Tax impact, in the third stage, will depend upon how the amount is withdrawn from the system. If the assessee opts for monthly withdrawals in the form of annuity, it will be treated as 'Income from residuary sources' and taxed as income for the said year at the applicable rate of tax. Here, there may not be any tax impact if the withdrawals are within the threshold exemption limit.

If the assessee opts for the withdrawal of entire amount of savings made, tax may be payable at a higher rate. Since the assessee will be withdrawing from the funds after reaching the age of retirement, benefit of higher threshold exemption limit will be available.

Long-term impact

As will be clear switching over from EEE to EET is not a short-term issue. It will have wide implications for each taxpayer in the long-term.

Firstly, the taxpayer will be left with the funds which have been invested under various schemes as permitted under the Income Tax Act so far. Since these schemes will not be a part of the permitted scheme, the taxpayer will have to find an alternative for its management. As the income derived from it will no longer be exempt, one will have to be on look-out for secured and sound investment fetching reasonable return.

Secondly, the taxpayer will have to understand the nitty gritty of the new structure and procedural aspect of it.

Thirdly, the most important part is allocation of the investible funds amongst various schemes/instruments. This problem of selection of instruments will be of a recurring nature as the taxpayer will have to opt for the instrument/scheme depending upon the prevailing rate of interest and potentiality of appreciation in value.

Fourthly, DTC provides for the limit of Rs. 3 lakhs as permitted savings for each year as against Rs. 1 lakh at present. The taxpayer will have to be more cautious as in order to save taxes, he will be setting apart more liquid funds. He will have to tackle with more issues as against at present.

Fifthly, another area of uncertainty will be with respect to the total quantum of funds being available at the time of retirement. As on today, it is possible to quantify one's requirements and opt for scheme like PPF and insurance policies where the rate of return are fairly stable. However, it may not be so under the proposed structure. As can be seen from the instruments proposed to be made available, the rate of return will vary with the market trend. So is the appreciation in the value of various other investments. Like tortoise, one will have to move slowly and steadily to achieve the desired amount of corpus at the point of retirement. Any attempt to derive high rate of return by opting for aggressive investment portfolio may land into serious problem. One will have to learn balancing the portfolio for the desired goal.

Strategy for living with EET

Investment pattern for majority of the taxpayers, so far, was simple, viz., to make maximum investment in recognized/approved PF, PPF A/c and Life Insurance policies. Considering the limit of Rs. 1 lakh permitted, these items took substantial portion of the permitted amount under section 80C. Apart from that, practically there was no risk element for investment therein. Compared to the rate of interest prevailing in the market, rate of return on these investments was fairly stable and reasonable. Hence, it did not merit any long-term strategy for investment. However, under DTC, things are going to change. As per the proposed scheme, level of security being available with the instruments, will be low. Moreover, yield on the investment to be made will vary with the market forces, so is the value of investment. The days of earning steady tax-free interest at the rate of 8 per cent per annum will be over. The most important aspect is that the taxpayer is permitted to claim deduction for investment up to Rs. 3 lakhs as against Rs. 1 lakh today. Temptation to pay low tax will make them to go for higher amount of investment. The taxpayer will have wider choice of investment avenues for claiming tax deduction. Wide variety of choice will add to more exposures to insecurity.

Apart from that, the benefit of EEE will no longer be available. It should be remembered that there will be no one-to-one relationship between tax benefit claimed in the year of investment made and paying the tax in the year of withdrawal. It means that once an investment is made, the taxpayer will be entitled to claim deduction under section 66 of DTC. As far as the Government is concerned, whether the taxpayer claims the benefit of lower tax or not is not important. So is the case where the income of the assessee is lower than the amount of investment made. Once this amount is withdrawn, it will have to be included under the head 'Income from residuary sources' and offered for tax. In fact, it appears that the system will be such that the amount of withdrawal will be reported to the concerned Assessing Officer through a reporting system. Alternatively, there may be provision of tax deducted at source from such amount at a future point of time.

In a nutshell, the worst scenario will be wherein there is a risk of getting stuck into the last-leg, viz. 'T' without availing the benefit under first 'E'. As we shall see, in such cases, the tax implications can be high in future. A question that arises is whether it is possible to keep away from such scenario? It is for these reasons that strategy assumes substantial importance.

Before going into specific issues, let us visualize the types of scenario which can create such problems. They are:

(a) Having made the investment, the assessee not having the taxable income at all for the said year, i.e., the assessee is having losses which are required to be carried forward.

(b) In the second case, although there is positive income but it is not sufficient enough to justify the level of investment already made through PSI.

(c) In the third case, investment already made through PSI, brings down the taxable income below the level of threshold exemption limit, i.e., Rs. 1, 60,000 as proposed.

There are, basically, two aspects to the issue, viz., (a) timing of investment and (b) the quantum part of it. Let us examine each one in detail.

Time aspect of the strategy

As per the DTC, the assessee is permitted to make investment at any time during the year. Generally, for convenience, the taxpayers, in order to avoid hassles arising at the last moment, make investment at an early point of time of the year, i.e., in April, May or June. This is done under the assumption that there will be positive income and it will be sufficient enough to justify the said investment. At present, it does not make much difference as there is no tax at the time of withdrawal of such investment.

However, it may not be so. Consider the case of an assessee having proprietary business. As all of us know, no one can guarantee profit in the business. Having made the investment in April, 2011 to claim tax benefit, imagine the plight when in March, 2012 he finds having made the losses. Why should one wait till March, 2012? Even during the year at any time, i.e., before March 31, 2012, he realizes that there are no chances of having any positive income till the end of the year. Since the taxpayer is not having any taxable income, the question of deriving any tax benefit does not arise. Secondly, at the time of withdrawal of these funds in future, it will be added to the income. Thus, amount invested through PSI which was from after-tax income will be subject to tax second time. The cost involved here in the form of tax will be prohibitive. Can anything be done about it? No. Once having made the investment, any withdrawal of it will be subject to tax. Such a scenario can arise with an individual deriving income from salary. He may lose his job at any point of time which may result in substantial loss of income.

Quantum aspect of the strategy

Associated with the timing is the quantum part as well. What will happen if the taxable income is lower than the amount of investment already made? It means that the assessee will not be able to derive any tax benefit on the excess amount of investment made. For example, the assessee has already made investment of, say, Rs. 3 lakh as permitted under DTC. However, at the time of compiling the data for filing the return of income, he finds that the taxable income works out to Rs. 2 lakh only. What will happen to Rs. 1 lakh? Whenever it is withdrawn in future, it will be subject to tax.

Another aspect associated with this is to what extent one should make an investment? One may be tempted to go to the full extent permitted, i.e., Rs. 3 lakhs. However, it may not be advisable to do so. This is for the reason that, in the said case, the assessee will not be making use of the threshold exemption limit. This will be clear from the following example:

	Case-A	Case-B	Case-C
	Rs.	Rs.	Rs.
Gross Total Income	3,00,000	3,00,000	4,60,000
Less: Investment u/s 66 of DTC	3,00,000	1,40,000	3,00,000
Net Taxable Income	Nil	1,60,000	1,60,000
Total Tax Payable	Nil	Nil	Nil
Cash Outflow	3,00,000	1,40,000	3,00,000

Note the following points in the above three cases:

(a) In the case of A and B, taxable income remains the same, amount of investment is varied. Despite having low investment, tax liability in case of B is also nil.

(b) Compare the case of A with C. In the case of C the income is higher by Rs. 1, 60,000. However, it is made use of making investment for reducing tax liability. As a result both C and A come to the same level of nil tax despite having substantial difference in income.

(c) As far as case of B and C is concerned income is more by Rs. 1, 60,000 which has been utilized for making tax deductible investment resulting into nil tax.

(d) In all the cases, whenever Rs. 3 lakhs will be withdrawn in future, it will be subject to tax. Hence, in the case of B and C tax impact will be low when compared to case A. This is for the reason that A has not made use of tax benefit he was entitled to. Excess amount of Rs. 1, 60,000 invested in the case A will get taxed twice resulting in extremely high cost of taxation.

It should be remembered that, in both the cases, i.e., A and B, whenever Rs. 3 lakhs are withdrawn in future, it will be subject to tax. In the former case the assessee will be paying the tax without availing any tax benefit in the past. In the latter case, tax impact will be lower as the assessee has availed tax benefit in the past. Therefore, it should always be remembered that the level of investment should not bring down gross total income below the level of threshold exemption limit permitted.

Basic principles to be followed

What are the basic principles to be followed? They are as under:

(a) Keep investment restricted to one's gross taxable income. Moreover, investment should not bring down gross taxable income below the threshold exemption limit. Always utilize the threshold exemption limit to the full extent.

(b) Avoid any investment scheme which requires long-term commitment. Investment scheme requiring long-term commitment may create serious issues. This is for the reason that there may not be taxable income or may not be sufficient enough to justify the level of commitment already made. Any breach or failure to honour the commitment may lead to financial losses, as such commitments are legal contractual commitments.

(c) As we have seen above, the investment opportunities offered are quite large. At one extreme, opportunities will be provided to the tax-payers to make investment in equity market through Mutual Funds making it possible to derive high yield or making the loss as well. At the other end, one will be permitted to invest in Government securities and debt instruments where there is steady rate of return though not in tandem with the prevailing market rate. But the chances of losing money will be comparatively low. While one may be lured by the great opportunities offered by the equity market, it should be remembered that one is playing with hard-earned money which are meant for retirement age. Therefore, one has to move cautiously. It is for these reasons that one will have to select a mixed portfolio, i.e., consisting of both the equity and debt instruments. A portion of equity component will give the rate of return somewhat better than the prevailing rate of interest. There cannot be standard formula for the same as it will have to be decided based on ones' capacity to bear the risk, age, etc. No hard and fast rule can be laid down. However, it can be said that if the assessee has already crossed the age limit of 40, it will be advisable to have lower quantum of equity exposure.

(d) As explained above, if the assessee has opted for mixed portfolio of investment, it will be necessary to have a re-look at it periodically. With the opening of the financial markets, the rate of interest is bound to move in both the directions. Accordingly, the rate of yield on the investment and, value thereof, will also fluctuate. In order to derive better benefits, one will have to reshuffle the portfolio periodically which reflects the prevailing market conditions.

Timing of investment

As we have seen in the case above as to how in the case of a businessman an early investment can pose serious problem. In the case of a salaried employee chances of such happenings are not high. However, as we know, now-a-days one cannot guarantee employment. Particularly in the private sector, an employee's services may be terminated at any point of time. It may so happen that finding a new job may take considerable time as well. During the said period the employee will not be having salary income. If investment has already been made in PSI during the time of previous employment, it can cause serious problem as explained above. Thus, even in the case of salaried employee as well, timing of the investment in PSI will assume substantial importance.

Long-term recurring commitment of investment

At times, a person makes commitment for long time recurring investment. For example, in the case of Life Insurance Premium, one is committing to pay premium for 10, 15 or 20 years. This commitment survives irrespective of the fact whether the person is having any taxable income or not. These commitments are such that any withdrawals from it before completing the contractual term may entail substantial losses. Therefore, one is forced to fulfill the commitment. A businessman incurring losses or a salaried employee having no income due to loss of job may find it difficult to tackle such a situation. While, on the one hand, there may not be sufficient taxable income to claim tax deduction of the amount to be paid of such a nature, commitment of payment of insurance premium has to be fulfilled. Can there be any way out of such a situation?

As explained above, while making allocation of the funds for the purpose of investment in PSI, one has to keep in mind such commitments. In fact, one should have a mixed portfolio, i.e., consisting of fixed commitment and certain portion in flexible scheme. The option for flexible scheme of investment should be exercised only when there is sufficient income which can absorb tax benefit arising out of fixed commitment investment.

Impact of EET on taxpayers

What will be the impact on the taxpayers of switch-over from EEE to EET? For a taxpayer the EET scheme per se will always be costly. This is for the reason that while comparing the last leg 'E' with the 'T', there is bound to be additional cost. However, therefore, one should not jump to conclude that EEE is better than EET as proposed under the DTC. We should remember that the DTC is proposing EET as a package of increased limit of Rs. 3 lakhs for investment. It means,

(a) there will be additional tax saving on additional amount invested of Rs. 2 lakhs. Assuming that the rate of tax is 30 per cent it will be Rs. 60,000. The taxpayer will have the option of making investment of it, i.e., Rs. 60,000 or consuming it.

(b) income accruing on Rs. 2 lakhs will also be tax-free. This will help in faster growth of the corpus.

To summarize, EET can work at the best when the taxpayer acts judiciously and chalk down the strategy well in advance. As can be seen from the case 4, despite having 'T' in the last leg, the benefit of additional investment limit of Rs. 2 lakhs can help in deriving greater benefit. Broad principles emerging from the above are as follows:

(a) Never make investment which can bring down total taxable income below threshold limit of exemption.

(b) It is better to have flexibility in determining the amount to be invested. Don't make commitment for investment on long-term basis. One should have the flexibility of altering the amount of investment to be made through PSI.

(c) Additional cash flow arising through tax benefit of additional limit of Rs. 2 lakhs should also be invested through open market in sound securities as it will help in faster growth of capital.

(d) Don't make mistake of withdrawing entire amount of investment made after retirement. Withdraw the amount only as per the requirement ensuring that one does not land into the higher tax bracket.

(e) On retirement or reaching the age of superannuation, transfer certain portion of the investment from high growth but risky securities to the securities or the scheme wherein fixed income or annuity is received. Amount received in this respect will be taxable under DTC. However, as long as the tax bracket remains the same, there will be no losses on account of additional tax outflow.

Options with the taxpayers

A question that will always baffle the taxpayers is whether it will be advisable to put additional amount of Rs. 2 lakhs and reduce the tax liability? This question can have answer only if the taxpayers are having the option of tax-free investment opportunities. As we all know, all the schemes having the feature of tax-free income have been discontinued. Therefore, the next best option will be to find out whether there can be any investment opportunity wherein the tax slab can be less than the maximum rate of tax, i.e., 30 per cent. One alternative can be to invest Rs. 2 lakhs in some capital assets for a long-term and derive capital gain. In view of indexation benefits being available for capital assets, overall tax liability can be less than average rate of 30 per cent. However, the tax deduction permitted in the year of investment under DTC can make substantial difference over a long period of time. Therefore, EET cannot be a losing proposition.

Justification for EET

Having enjoyed the benefits under EEE, 'T' of EET is bound to create lots of heart-burn amongst the taxpayers; it will be difficult to reconcile to it. Most of us may not be aware about the amount of debt the Central and State Governments have created since independence. The most important aspect which has not been visible to all of us is pension liability of the retired employees which has not been provided for/funded so far. Apart from that the State has failed to make sufficient provision for the citizens who are not part of the organized sector. Secondly, looking to the size and population of the country, rate of growth has not been sufficient enough. There is shortage of resources.

Experience in the European countries has shown that EET is the best solution to tackle these issues. Data reveals that the countries having EET system have shown considerable progress in pooling the resources, rapid growth in industrial development making it possible to provide steady income during the retirement age. There is hardly any country following the EEE model. All these factors must have weighed with the policy-makers to opt for EET. One may not like EET, but will have to learn to live under it.

Conclusion

For the taxpayer, 'T' in the EET will never look like preferable to EEE. However, looking to the fact of EET as certainty, one will have to learn to live under it. The only alternative for the taxpayer is to organize the affairs in such a way that there is no additional burden due to tax-outflow.

Ever since the process of liberalization and opening of the Indian economy was started, till date its impact was felt at the business and industrial level only, to a large extent taxpayer's investment were safe as it had the backing of security of the Government. However with the introduction of EET, the said comfort will become thing of the past. The taxpayers will have to be more alert and cautious; otherwise he will face serious problems during his retirement period. While the country is not yet ready to take care of all the retired people even partially, one will have to ensure that he is left with sufficient corpus when he reaches the age of 60.

With the introduction of EET, goods and service tax as proposed with effect from 2010, open economy, free flow of funds on current account, etc., we shall be moving with the other developed countries. All these are major moves in the process of reform. Since these are structural changes, they are bound to create uncomfortable conditions for large number of persons. Although, the cut-off date of April 1, 2011 appears too far away, if the basics of living with EET are not learnt in time, its cost may be high for any one.

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DETERMINANTS OF EXCHANGE RATE IN INDIA

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ABSTRACT

Due to globalisation there is a rapid growth of international business which leads to rise in demand for foreign currency. Exchange rate plays a vital role as it determines the relative strength of a country and gain or loss in global trade and business. So, the present study focuses on exchange rate and factors which determines the exchange rate of India. This study will help the traders to take the precautionary measures and if necessary to manipulate the economic variable to take advantage in global business and trade. The study reveals that interest rate and inflation have impact on exchange rate. When all factors are considered together to find out independent impact of each factors no factor is seems to have impact on exchange rate.

Key Words: *Exchange Rate in India, Future Exchange rate in India, Relationship among Euro and Dollar, Factors determining Exchange rate in India*

INTRODUCTION

The exchange rate is one of the most important determinants of a country's relative level of economic health. Exchange rates play a vital role in a country's level of trade, which is critical to most of the free market economy in the world. For this reason, exchange rates are among the most watched analyzed and governmentally manipulated economic measures. Countries may gain an advantage in international trade if they manipulate the value of their currency by artificially keeping its value low, typically by the national central bank engaging in open-market operations.

Foreign exchange rates are always quoted as two way price buying rate and selling rate. Financial intermediaries do expect some profit in exchange operations and there is always some difference in buying and selling rates. However, the maximum spread available to intermediaries is restricted in terms of ceiling imposed by Reserve Bank of India. This study focuses on the various factors influencing the Exchange Rates especially USD and EURO as they are the most popularly used currencies for trading and other purposes. The main aim is to ascertain the level of impact of each factor on the exchange rates.

REVIEW OF LITERATURE

Sebastian Edwards (1989) concluded that the Real Exchange Rates, Devaluation, and Adjustment provide a unified theoretical and empirical investigation of exchange rate policy and performance in scores of developing countries develop a theory of devaluations are the most controversial policy measures in poorer equilibrium and disequilibrium real exchange rates, takes up the question of why nations, and discusses what determines their success or failure

Charles Engel (1996) explained that how the economic agents undertake actions to protect themselves from the short-run impact of foreign exchange rate fluctuations: Nominal goods prices are set in consumers' currencies, and firm’s hedge foreign exchange risk. Features of the economy can lead to indeterminacy in the nominal exchange rate in the short run.

Maurice Obstfeld, Kenneth Rogoff, (1998) concluded that the level risk premium' in the exchange rate is potentially quite large and may be an important missing fundamental in empirical exchange rate equations.

Giovanni and Shambaugh (2007) attempted to study that High foreign interest rates have a contraction effect on annual real GDP growth in the domestic economy, but that this effect is centred on countries with fixed exchange rates.

Donald (1998) examined the long-run determinants of real effective exchange rates of the dollar, mark and yen, with the help of reduced form model of the real exchange rate. Multivariate co- integration method applied to analyze the data. The study found that significant and sensible long-run relationships for the real effective exchange rates of the mark, dollar and yen, and the long-run trends in effective exchange rates than relative prices.

Kim and Sheen (2002) assessed the importance of the various determinants of the Reserve Bank of Australia foreign exchange market interventions from 1983 to 1997. The study suggests that RBA’s interventions have been significantly influenced by factors and finally, above average measures of deviations from trend and of volatility

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muted the response of the Reserve Bank.

frankel (2007) investigated the determinants of the real value of the South African rand over the period of 1984-2007. It concludes that the rand behaves like currencies of industrialized countries with well-developed financial markets. In particular, high South African interest rates raise international demand for the rand and lead to real appreciation. The results show a relatively good fit.

Suthar (2008) investigated the impact of bank rate policy of the Reserve Bank of India (RBI) and interest yield differentials between the India and the US securities. The study found that the monetary policy intentions depicted by the bank rate of the RBI, the short-term and long-term domestic interest differentials and interest yield differentials, and the rate of change of foreign exchange reserves have significant impact on the monthly average of the exchange rate between Indian rupee and the US dollar and quite in line with the economic theory.

OBJECTIVES OF THE STUDY

- ✓ To prioritize the factors based on their impact in the exchange rate so that factor which has the highest impact on the exchange rate can be ascertained
- ✓ To find the relationship among the independent variables
- ✓ To forecast the rates for the next six quarters(2012 and 2013)
- ✓ To find the relationship between USD and EURO.

RESEARCH METHODOLOGY

The Research Design used for the study is Descriptive Research which will describe the existing relationship among variables. The data used in this study is secondary data which is collected from www.rbi.org.in, Centre For Monitoring Indian Economy (CMIE) - business beacon and www.tradingeconomics.com. The tools used for the analysis are multiple regression and ARIMA for forecasting.

Forecasting (ARIMA)

In statistics and econometrics, and in particular in time series analysis, an autoregressive integrated moving average (ARIMA) model is a generalization of an autoregressive moving average (ARMA) model. These models are fitted to time series data either to better understand the data or to predict future points in the series (forecasting). They are applied in some cases where data show evidence of non-stationary, where an initial differencing step (corresponding to the "integrated" part of the model) can be applied to remove the non-stationary.

EXCHANGE RATE –DISCRIPTIVE STATISTICS

The exchange rate of INR against USD and EURO is fluctuating on day to day basis. Before understanding the factors which are influencing the exchange rate it is necessary to know whether the exchange rate is really changing significantly from Quarter to Quarter. For this purpose one way is used.

Table 1: ANOVA for EURO and USD

	F	Sig.
Dollar	4.879	.008
Euro	24.475	.000

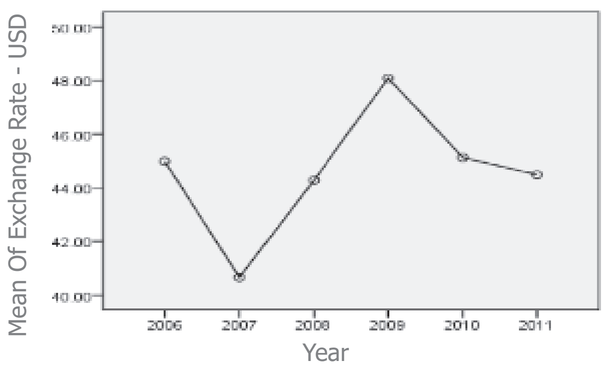
The analysis of variance test result shows that the significant value for Dollar and Euro are .008 (<.05) and .000 (<.05) respectively. It means that there is a significant difference in the Exchange Rates of USD and EURO from year to year. In other words the exchange rate varies from year to year. The variance may be rise or fall..

Table 2: ANOVA – USD Descriptive USD

	Mean	Std. Deviation	Minimum	Maximum
2006	44.9875	.94539	43.97	45.87
2007	40.6600	1.86371	39.21	43.32
2008	44.2725	3.87269	39.62	48.18
2009	48.0800	1.73303	46.43	50.52
2010	45.1300	.85514	44.65	46.41
2011	44.4800	.	44.48	44.48
Total	44.6190	3.01658	39.21	50.52

From the Exchange Rates of USD (the average value) for six years starting from 2006 to 2011, it is noticed that the USD is at its lowest in the year 2007 showing a value of 40.66 with the minimum value of 39.21, maximum value of 48.18 and standard deviation of 1.86. It has attained its peak value of 48.08 in the year 2009 with the minimum value of 46.43, maximum value of 50.52 and standard deviation of 1.73.

Fig 1: Means Plot-Dollar



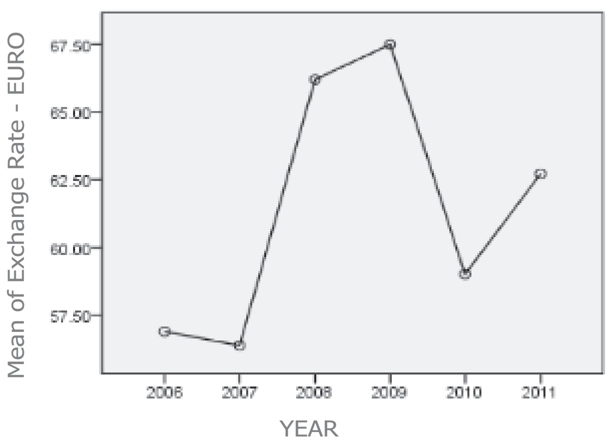
The means plot shows the variance in the Exchange Rate of USD for each year starting from 2006 to 2011. From the fig (1) it can be noticed the steep rise from 2007 to 2009 and fall from 2009 to 2011.

Table 3: EURO Descriptive statistics

Year	Mean	Std. Deviation	Minimum	Maximum
2006	56.8900	2.04867	53.83	58.13
2007	56.3775	1.59303	54.34	57.67
2008	66.2000	2.50068	62.46	67.65
2009	67.4875	1.46420	66.53	69.67
2010	59.0200	1.76569	56.50	60.54
2011	62.7100	.	62.71	62.71
Total	61.2671	5.00702	53.83	69.67

From the average Exchange Rates of EURO for six years starting from 2006 to 2011, it is noticed that the EURO is at its lowest in the year 2007 showing a value of 56.3775 with the minimum value of 54.34, maximum value of 57.67 and standard deviation of 1.59303. And it has attained its peak value in the year 2009 is 67.4875 with the minimum value of 66.53, maximum value of 69.67 and standard deviation of 1.4642.

Figure 2: Means Plot-EURO



The means plot shows the variance in the Exchange Rate of EURO for each year starting from 2006 to 2011. From the figure we can notice the s fall of the rates in the year 2007 to 56.775. On the other hand there has been a huge rise in the rates in the year 2009 marking 67.4875 after which there is a steep fall in the rates in the year 2010. The current year 2011 has seen EURO in the increasing trend which may change in the near future.

FACTORS INFLUENCING THE EXCHANGE RATES

Exchange rate which is the rate at which currency of one country is converted to currency of other country is influenced by many factors. Those factors can be commonly called as economic factors. The economic condition prevailing in both countries will have impact. The currencies taken for the study are US Dollar and Euro. For the sake of simplicity only Indian economic factors are considered. The brief introduction to each factor is given below.

Inflation

Inflation refers to increase in general price level of goods and services in an economy over a period of time. A country with a consistently lower inflation rate exhibits a rising currency value, as its purchasing power increases relative to other currencies.

Table 4: Analysis of Variance

	F	Sig.
Inflation	26.200	0.000
Export	60.870	0.000
Interest Rate	80.188	0.000
import	41.472	0.000
Current A/C Deficit	3.157	0.045

The analysis of variance indicates that (Significant values are less than 0.05) there is a significant difference in inflation rate from year to year. As the significant values are than 0.05 for all the factors it can be concluded that there is a significant change in independent variables from year to year. In the earlier analysis it was stated that there is a significant change in dependent variables. The present analysis shows that independent variables are also changing from year to year. Therefore there is a need to find out the change in which independent factor results in change in exchange rate

Interest rate

Interest rates, inflation and exchange rates are all highly correlated. Higher interest rates offer lenders in an economy a higher return relative to other countries. Therefore, higher interest rates attract foreign capital and cause the exchange rate to rise and vice versa

Table 5: Interest Rate

Interest Rate	N	Subset for alpha = 0.05		
		1	2	3
2009	12	3.4167		
2010	12		4.1458	
2011	4			5.6250
2006	12			5.7500
2008	12			5.9167
2007	12			6.0000

Table 10 shows interest (average) rate during the study period and it can be inferred that interest rate is changing from year to year. The values further reveals that there is no continuous rise or fall in interest rate.

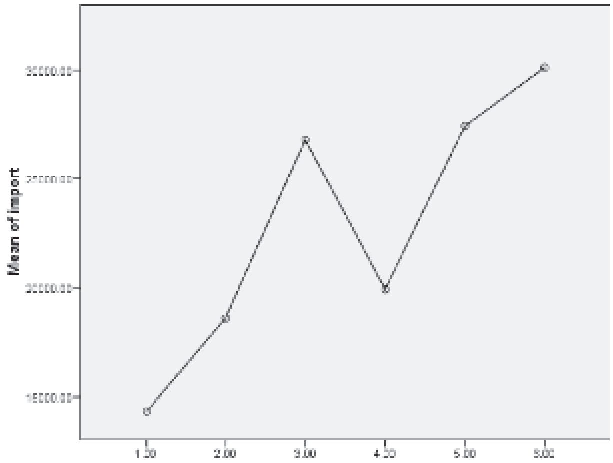
Exports

If the exports of a country is rising its currency accumulation also increase means the demand of the currency will increase which leads to appreciation of that currency and vice versa.

Imports

The term import means to bring the goods and services into the port of a country. More import payment as compare to export receives leads to depreciation of the currency and vice versa.

Table 3: Value of Exports



Current account deficit

A deficit in the current account shows the country is spending more on the foreign trade than it is earning and that it is borrowing capital from foreign sources to make up the deficit. In other words, the country requires more foreign currency than it receives through sales of exports, and it supplies more of its own currency than foreigners demand for its products. The excess demand for foreign currency lowers the country's exchange rate until domestic goods and services are cheap enough for foreigners, and foreign assets are too expensive to generate sales for domestic interests.

Foreign direct investment

Foreign direct investment (FDI) or foreign 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 brings foreign currency to the host country as a result the demand of domestic currency will increase subsequently the value domestic currency will increase.

IMPACT OF ECONOMIC FACTORS ON USD

The Economic Factors in India play a major role in determining the Exchange Rate. This study considers two currencies namely USD and EURO. This is because USD and EURO the most wanted currency which is used for foreign trade by India. EURO is the next currency which falls in line after USD. The economic factors that are considered for this study are Inflation rate, Interest rate, Exports, Imports, Current Account Deficit, Foreign Direct Investment, Balance of Payments, Public Debt and Gross Domestic Product. In order to ascertain the impact of these factors on the Exchange Rates, Regression Analysis is conducted.

Table 6: Regression model for Exchange Rate of USD and all determinants

Model	variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Inflation	.520a	.270	.232	2.64431
2	Interest rate	.648a	.419	.389	2.35835
3	Exports	.073a	.005	-.047	3.08670
4	Imports	.023a	.001	-.052	3.09412
5	Current account deficit	.244a	.059	.010	3.00164
6	FDI	.162a	.026	-.025	3.05416

In regression model the R square value is the degree of determination which means what percentage of variance in dependent variable is explained by the independent variable. In the above case the percent of variance explained by the inflation, interest rate, exports, imports, current account deficit and FDI are 27, 41.9, 5, 1, 5.9 and 2.6 respectively. The percentage of variance explained by interest rate is more than any other variable. This means that interest rate is the most influencing variable. The variance explained by imports, exports and FDI are very less which means these factors do not have any influence on exchange rate. Exports and imports are the demand and supply factors for currency. As the exports and imports do not have influence on currency, it can be concluded that the supply and demand factors do not have influence on exchange rate.

Table 7: Coefficients of all determinants (USD)

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	39.814	1.902	20.930	.000
	Inflation	.553	.209	2.651	.016
2	(constant)	53.243	2.384	22.331	.000
	Interest Rate	-1.701	.459	-3.704	.002
3	(Constant)	45.439	2.658	17.096	.000
	EXPORT	-5.899E-5	.000	-.319	.753
4	(Constant)	44.864	2.534	17.705	.000
	IMPORT	-1.112E-5	.000	-.100	.921
5	(Constant)	43.875	.944	46.481	.000
	Current Account	-.123	.112	-1.095	.287
6	(Constant)	45.541	1.451	31.377	.000
	FDI	-.001	.001	-.715	.483
	Public Debt	7.156E-5	.000	.381	.729

Regression analysis is performed by taking exchange rate as dependent variable and each independent variable separately. The constant value and beta value obtained from each analysis is given in the table 2. The T value and significant value indicates the significance of influence of particular variable on exchange rate. From the Coefficient table (2) the regression equations can be written as:-

Exchange Rate of USD = 39.814+.553(inflation rate)

Exchange Rate of USD = 53.243-1.701(Interest Rate)

Exchange Rate of USD = 45.439 – 5.899(Exports)

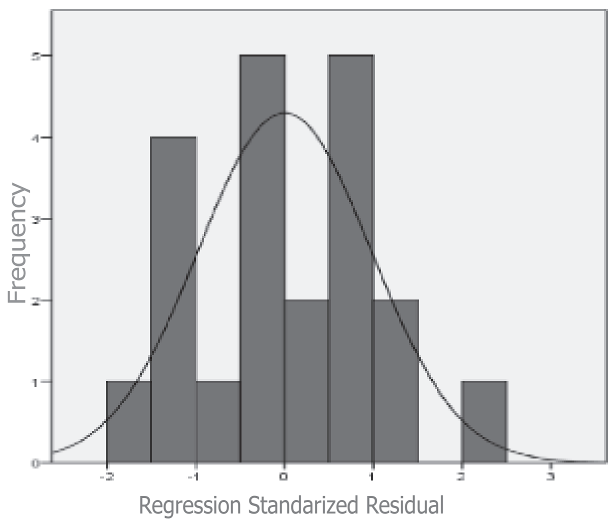
Exchange Rate of USD = 44.864 –1.112 (Imports)

Exchange Rate of USD =43.875 –.123 (Current Account)

Exchange Rate of USD =45.541 +.000 (FDI)

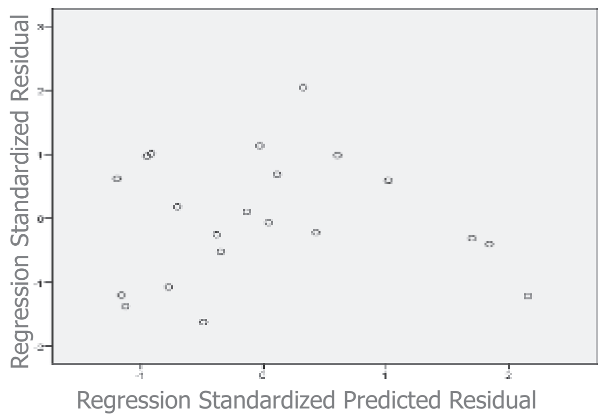
By using the coefficient of inflation, interest rate, exports, imports, current account, FDI, BOP, GDP, public debt above linear equations are written. The significant value of interest rate (.002) and inflation rate (.016) which are less than the value of .05 it means that both variables have significant impact on exchange rate and the significant values of remaining variables are greater than 0.05 which means that these variables do not have significant impact on determining the exchange rate.

Fig. 4: Histogram of Inflation Rate and Exchange Rate of USD



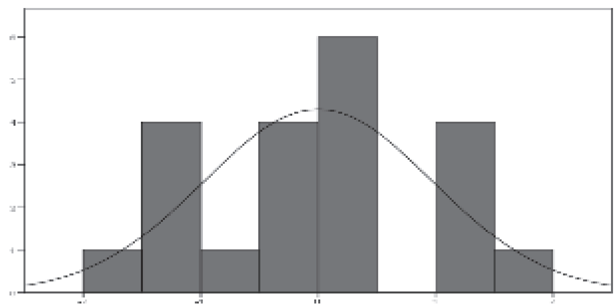
The Fig.1 represents the frequencies of the regression standardized residuals showing their normal distribution. This diagram represents the plots between the observed cumulative probability and the expected cumulative probability of the regression standardized residual. Thus, indicating the high correlation between observed cumulative probability and the expected cumulative probability.

Fig. 5: Scatter Plot for the exchange Rate of USD and Inflation Rate



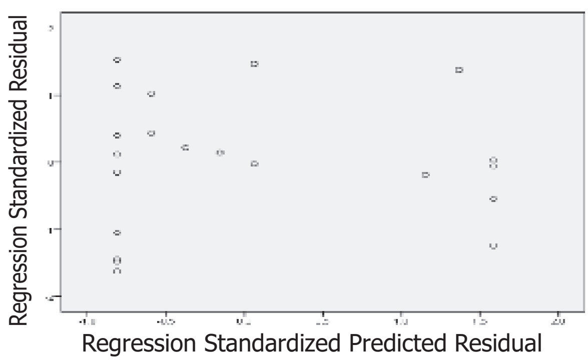
The residual values are much scattered in the Fig.2. Thus the residuals do not have any pattern and its influence is scattered. The residuals are not influenced by any single unknown variable. Therefore residuals can be ignored.

Fig. 6: Histogram for Interest Rate and the Exchange Rate of USD



In fig.3 the histogram represents the plots between the observed cumulative probability and the expected cumulative probability of the regression standardized residual. Thus, indicating the high correlation between observed cumulative probability and the expected cumulative probability

Fig. 7: Scatter plots for the Exchange Rate of USD and the Interest Rate



The residual values are much scattered in the Fig.4. Thus the residuals do not affect the dependent variable i.e the Exchange Rate of USD.

MULTIPLE REGRESSIONS BETWEEN THE EXCHANGE RATE AND ALL ITS DETERMINANTS

Multiple regressions is carried out by taking the all factor like Inflation, Interest Rate, Exports, Imports, Current Account Deficit and FDI together as independent variable and exchange rate as dependent variable.

Table 8: Coefficients of Inflation, Interest Rate, Exports, Imports, FDI and Current Account (USD)

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	54.593	8.578		6.364	.000
Inflation	-.048	.536	-.045	-.089	.930
Interest Rate	-1.675	1.084	-.638	-1.545	.145
EXPORT	.000	.000	-.150	-.321	.753
IMPORT	3.271E-5	.000	.068	.131	.898
FDI	.000	.001	-.077	-.375	.713
Current Account	-.057	.129	-.113	-.440	.667

By using beta co-efficient values and the constant values the regression can be written.

Exchange Rate = 54.593 - .048 (Inflation) – 1.675(Interest Rate) + .000(Exports) + 3.271 (Imports) + .000(FDI) - .057(Current Account Deficit)

The significant values of the above mentioned factors are more than .05 which clearly explains that all these factors put together do not have a significant impact on the Exchange Rate of USD. Therefore it can be stated that there is multicolleniarity among the independent variables. When the variables are analysed separately interest rate and inflation have impact and when variables combined together they do not have influence on exchange rate

IMPACT OF ECONOMIC FACTORS ON EURO

The following models are related to the Regression Analysis conducted to ascertain the impact of the economic factors on EURO.

Table 9: Regression model for Exchange Rate of EURO and all determinants

Model	Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	Inflation	.392a	.153	.109	4.72654
2	Interest rate	.455a	.207	.165	4.57502
3	Exports	.257a	.066	.017	4.96481
4	Imports	.355a	.126	.080	4.80284
5	Current account deficit	.066a	.004	-.048	5.12590
6	FDI	.256a	.065	.016	4.96620

In regression model the R square value is degree of determination which means what percentage of variance in dependent variable is determined by the independent variable. In the above case The percent of variance is determine by the inflation, interest rate, exports, imports, current account deficit and FDI are 15.3, 20.7, 6.6, 12.6, .4 and 6.5 respectively. The percentage of variance explained by interest rate is more than any other variable. This means that interest rate is the most influencing variable. The variance explained by imports, exports and FDI are very less which means these factors do not have any influence on exchange rate. Exports and imports are the demand and supply factors for currency. As the exports and imports do not have influence on currency, it can be concluded that the supply and demand factors do not have influence on exchange rate.

Table 10: Coefficients of all determinants (EURO)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	55.254	3.400		16.251	.000
	Inflation	.692	.373	.392	1.856	.029
2	(Constant)	71.321	4.625		15.420	.000
	Interest Rate	-1.982	.891	-.455	-2.226	.038
3	(Constant)	56.477	4.275		13.211	.000
	EXPORT	.000	.000	.257	1.158	.261
4	(Constant)	54.995	3.933		13.981	.000
	IMPORT	.000	.000	.355	1.654	.114
5	(Constant)	60.933	1.612		37.801	.000
	Current Account	-.055	.191	-.066	-.288	.776
6	(Constant)	58.849	2.360		24.935	.000
	Foreign Direct Investment	.001	.001	.256	1.153	.263

Regression analysis is performed by taking exchange rate as dependent variable and each independent variable separately. The constant value and beta value obtained from each analysis is given in the table 5. The T value and significant value indicates the significance of influence of particular variable on exchange rate. From the Coefficient table the regression equations can be written as:-

Exchange Rate of EURO = 55.254 + .692(Inflation)

Exchange Rate of EURO = 71.321 – 1.982(Interest Rate)

Exchange Rate of EURO = 56.477+.000(Exports)

Exchange Rate of EURO = 54.995+.000(Imports)

Exchange Rate of EURO = 60.933-.055(Current Account)

Exchange Rate of EURO = 58.849 + .001(FDI)

By using the coefficient of inflation, interest rate, exports, imports, current account

FDI, BOP, GDP, public debt respectively. And also the significant value of interest rate (.038) and inflation rate (.029) which are less than the value of .05 it means both has a significant impact on exchange rate and remaining significant value of variables are greater than the value of .05 which means that there is no significant impact of variables on determining the exchange rate.

MULTIPLE REGRESSIONS BETWEEN THE EXCHANGE RATE OF EURO AND ALL ITS DETERMINANTS

Multiple regressions is carried out by taking the all factor like Inflation, Interest Rate, Exports, Imports, Current Account Deficit and FDI together as independent variable and exchange rate as dependent variable.

Table 11: Coefficients of Inflation, Interest Rate, Exports, Imports, Current Account and FDI (EURO)

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	72.751	13.916	5.228	.000
Inflation	-.565	.870	-.650	.526
Interest Rate	-3.255	1.758	-1.851	.085
EXPORT	.000	.001	-.525	.608
IMPORT	.001	.000	1.392	.186
Foreign Direct Investment	.001	.001	1.351	.198
Current Account	.099	.209	.475	.642

By using beta co-efficient values and the constant values the regression can be written

Exchange Rate of EURO = 72.751 - .565(Inflation) – 3.255(Interest Rate) + .000(Exports) +.001 (Imports) + .001(FDI) +.099(Current Account)

The significant values of the above mentioned factors are more than .05 which clearly explains that all these factors put together do not have a significant impact on the Exchange Rate of USD. Therefore it can be stated that there is multicollinearity among the independent variables. When the variables are analysed separately interest rate and inflation have impact and when variables combined together they do not have influence on exchange rate

RELATIONSHIP AMONG INDEPENDENT VARIABLES

The correlation analysis is applied to find out the relationship among the independent variables such as inflation, interest rate, imports, exports and FDI.

Table 12: Correlation for Inflation, Interest Rate, Exports, Imports, Current Account and FDI

		Inflation	Interest Rate	Export	Import	FDI	Current Account
Inflation	Correlation	1	-.799**	.305	.421	-.164	-.531*
	Sig.		.000	.179	.058	.477	.013
Interest Rate	Correlation	-.799**	1	.010	-.040	.120	.287
	Sig.	.000		.966	.864	.605	.208
Export	Correlation	.305	.010	1	.891**	.073	-.379
	Sig.	.179	.966		.000	.754	.090
Import	Correlation	.421	-.040	.891**	1	.043	-.355
	Sig.	.058	.864	.000		.853	.114
FDI	Correlation	-.164	.120	.073	.043	1	.067
	Sig.	.477	.605	.754	.853		.772
Current Account	Correlation	-.531*	.287	-.379	-.355	.067	1
	Sig.	.013	.208	.090	.114	.772	

The significant value for the relationship between Inflation and Interest Rate is 0.000(<.05) which means that there is a significant relationship between Inflation and Interest Rate. But the correlation co-efficient is (-.799) which means there is a negative impact of one factor over the other. Similarly the significant value between Inflation and Current Account Deficit is .013(<.05) which means there is a significant relationship between Inflation and Current Account Deficit. Due to negative correlation (-.531) there may be a negative relationship between the factors. This indicates that when the Current Account shows a deficit, inflation may rise and vice versa. The significant value for Exports and Imports is 0.000 which explains the significant relationship between them. The positive correlation (0.891) indicates when Exports increases Imports also increases and vice versa.

Table 13: Correlation between Exchange Rate of USD and EURO

		Exchange Rate-USD	Exchange Rate-EURO
Exchange Rate-USD	Correlation	1	0.564**
	Sig. (2-tailed)		0.008
Exchange Rate-EURO	Correlation	0.564**	1
	Sig. (2-tailed)	0.008	

The significant value for the relationship between USD and EURO is .008 (< .05) which means that there is a significant relationship between USD and EURO. The positive correlation of 0.564 reveals that when the value of USD increases or decreases, the value of EURO also increases or decreases correspondingly. This is because when our currency The Indian Rupee, becomes strong it become strong against all currencies. The significant correlation also indicates that the exchange of INR is not influenced by the economic factors of other countries during the study period.

FORECAST- USD AND EURO

Mere studying of factors will not be sufficient to the business people to take decision of forward contract. They also need to know what will be the future exchange rate. To meet out that the exchange rate is also forecasted by using ARIMA model. The exchange rate fluctuate very frequently. To forecast future in this kind situation only ARCH model should be used. Here forecasting is done with the help of only quarterly data. Therefore ARIMA model is used. Before forecasting the future data should be tested and it should be stationary.

Table 14: Carrologram

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. |***** |	. |***** |	1	0.718	0.718	13.994	0.000
. |*** |	. *| . |	2	0.448	-0.141	19.676	0.000
. |**. |	. | . |	3	0.241	-0.052	21.401	0.000
. |* . |	. | . |	4	0.117	0.006	21.831	0.000
. | . |	. | . |	5	0.070	0.041	21.992	0.001
. | . |	. *| . |	6	-0.030	-0.169	22.023	0.001
. *| . |	. | . |	7	-0.092	-0.003	22.333	0.002
. *| . |	. *| . |	8	-0.156	-0.087	23.277	0.003
.**| . |	. *| . |	9	-0.214	-0.091	25.183	0.003
. *| . |	. |* . |	10	-0.174	0.094	26.530	0.003
. *| . |	. |* . |	11	-0.089	0.081	26.909	0.005
. | . |	. *| . |	12	-0.057	-0.105	27.080	0.008

Table 14 shows that there are some spikes in both Autocorrelation as well as in partial auto correlation. The p values are highly significant. This means that the data is not stationary. To make the data stationary first order differentiation is carried out. Now the data is converted into differentiated form by using the following equation

New variable name=d (old variable name)

After first order differentiation the data is tested for stionarity

Table 15: Carrolagram after first order differentiation

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob
. |**. |	. |**. |	1	0.340	0.340	3.0261	0.082
. *| . |	.**| . |	2	-0.120	-0.267	3.4237	0.181
.**| . |	. *| . |	3	-0.258	-0.141	5.3431	0.148
.**| . |	. *| . |	4	-0.240	-0.143	7.0805	0.132
. |* . |	. |* . |	5	0.077	0.183	7.2716	0.201
. *| . |	.**| . |	6	-0.067	-0.327	7.4251	0.283
.**| . |	. *| . |	7	-0.232	-0.170	9.3582	0.228
. *| . |	. *| . |	8	-0.202	-0.137	10.923	0.206
. *| . |	. | . |	9	-0.078	-0.035	11.171	0.264
. | . |	.**| . |	10	-0.018	-0.317	11.185	0.343
. |* . |	. |* . |	11	0.149	0.157	12.256	0.345
. |* . |	. | . |	12	0.208	0.016	14.524	0.269

After first order differentiation the data is tested for stationarity. From the table it is clear that there are no spikes in both auto correlation and partial correlation. This means that the differentiated data is stationary. Probability values are not significant. Therefore forecasting can be done with differentiated data. To forecast the following equation is used

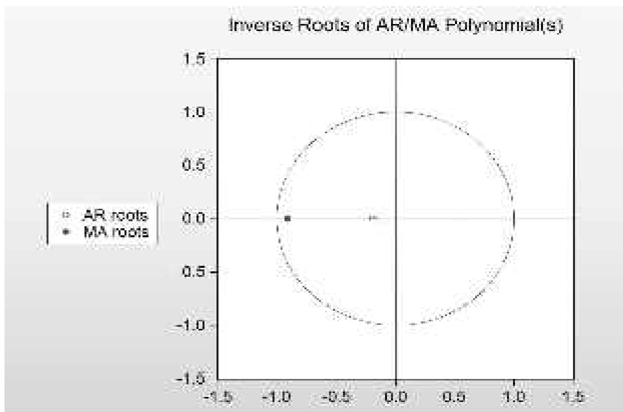
Deuro c ar(1) ma(1)

Table 16: Equation results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.640190	0.753809	0.849273	0.4063
AR(1)	-0.190412	0.257995	-0.738047	0.4695
MA(1)	0.909848	0.106876	8.513095	0.0000
R-squared	0.317966	Mean dependent var		547545
Adjusted R-squared	0.246172	S.D. dependent var		2.553173
S.E. of regression	2.216747	Akaike info criterion		4.556083
Sum squared resid	93.36540	Schwarz criterion		4.704861
Log likelihood	-47.11691	Hannan-Quinn criter.		4.591130
F-statistic	4.428916	Durbin-Watson stat		1.936674
Prob (F-statistic)	0.026373			

The equation result is given in the table 16. Both constant and AR values are not significant. The regression model used to forecast the future is MA(1) model. All the test statistics shows that the present model is good for estimation.

Fig. 8: ARMA structure



The ARMA structure diagram shows that the model is good because the point is within the circle. The forecasting will give only differentiated predicted values. From the differentiation values the actual Y values are calculated by using following formula

Δyt = yt - yt-1

Yt = ? yt + yt-1

Table 17: Forecasted Euro values

YEAR	QUARTER	EURO PRICE
2012	Q2	70.20828
2012	Q3	70.84847
2012	Q4	71.48866
2013	Q1	72.12885
2013	Q2	72.76904
2013	Q3	73.40923

The forecasted values of Euro are given in the table 17. If the present trend continues then the Euro may touch 73 rupees in the end of 2013. Therefore the Govt. or RBI has to take some sterilization measures to sterilize the the currency.

IMPLICATION OF THE STUDY

In the current scenario majority of intermediaries in India intend to enter into forward contracts with customers. A forward contract is to buy or sell a fixed amount of Foreign Currency at a pre-determined exchange rate at a specified duration of time in future. If the intermediaries have a clear view of the factors which has the highest impact on the exchange rates, they can assess the fluctuations in the rates. Thus they may enter into contracts accordingly.

CONCLUSION

From the study it is very clear that the Interest Rate and Inflation are the factors having significant impact on the Exchange Rates of both USD and EURO. But when all the factors are put together their impact on the Exchange Rates is not significant. This is because there is a interconnectivity among the independent variables. The exchange rate of Euro against Indian current is forecasted by using MA (1) model. The forecasted values show that the Euro may touch 73 rupees at the end of 2013. There is a relationship between Euro and USD which indicates that currency rate is determined economic factors of India not economic factors of EURO countries or USA.

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BANKING SERVICES AND CUSTOMER SATISFACTION–A COMPARITIVE STUDY OF PUBLIC AND PRIVATE SECTOR BANK OF UDAIPUR CITY

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Harshita Bhatnagar**

ABSTRACT

Indian banking industry is the midst of an IT revolution which has improved the speed and efficiency of banking operations particularly routine banking transactions which has given new shape to the nature of the services provided to customers. Customer satisfaction emerges as a benchmark for attaining operational efficiencies and improved business performance. Customer satisfaction is an interesting and dynamic concept. Customers are demanding an individualistic and are no longer willing to accept delay in transactions. A customer centric view has replaced the earlier product centric view. In present paper customer satisfaction was measured with respect to various dimension along with traditional and IT enabled banking services used by customers.

Key Words: *Traditional and IT Banking services, Customer Satisfaction.*

INTRODUCTION

India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Indian banking industry is the midst of an IT revolution. Information Technology has improved the speed and efficiency of banking operations particularly routine banking transactions which has given new shape to the nature of the services provided to customers. The banking sector has immensely benefited from the implementation of superior technology during the recent past, almost in every nation in the world. Productivity enhancement, innovative products, speedy transactions seamless transfer of funds, real time information system, and efficient risk management are some of the advantage derived through the technology. Automation of banking operations is an imperative need for all banks to attract more customers, provide efficient services, and survive in the emerging new competition, apart from the profit motive which is the primary objective of the business. In order to achieve these goals of business, various e-channels have been developed through technology. Mittal S and Jain R (2010) said IT can help to achieve higher level of customer satisfaction but technology alone cannot guarantee success. Therefore the efficiency of a banking sector depends upon how best it can deliver services to its target customers or how far the expectations of customers are met.

BANKING SERVICES

The banking today has re-defined and re-engineered with the use of Information Technology and it is sure that the future of banking will offer services that are more sophisticated to the customers with the continuous product and process innovations. Thus, there is a paradigm shift from the seller's market to buyer's market in the industry and finally it affected at the bankers level to change their approach from "conventional banking to convenience banking" and "mass banking to class banking". The shift has also increased the degree of accessibility of a common person to bank for his variety of needs and requirements. Liberalization and de-regulation process started in 1991-92 has made a sea change in the banking system. Consolidation of players through mergers and acquisitions, Globalization of operations, Development of new technology and Universalisation of banking are few common banking trends which had gained momentum in last years. Several banks have been positioning themselves as a one-stop shop financial service provider with a fairly exhaustive range of products, including deposit products, loans, credit cards, debit cards, depository (custody services), investment advice, bill payments and various transactional services. These apart, banks have also been entering into the business of selling third-party products such as mutual funds and insurance to the retail customers. To provide their customers greater flexibility and convenience as well as to reduce servicing costs, banks have been investing to computerize their branches and in new delivery channels such as ATMs, phone banking, internet banking and mobile banking. Indian banks are

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struggling hard in offering better banking services and products, coupled with smart use of IT adoption and high operational efficiency. IT strategies therefore, need to be in proper consonance with bank's marketing strategies. Sharad Bishnoi, Assistant Vice-president, Head, Business Process Reengineering Group, HDFC Bank says, "Banking services require a high level of customer engagement and understanding of the requirements for a quality value proposition.

CUSTOMER SATISFACTION

A customer can be defined as a user or potential user of banking services. A customer would include an account holder, or his representative, or a person carrying out casual business transactions with a bank, or a person who, on his own initiative, may come within the banking fold. Customer satisfaction emerges as a benchmark for attaining operational efficiencies and improved business performance. Thakur S (2011) concluded that customer satisfaction represents a modern approach for quality in enterprises and organisations and serves the development of a truly customer-focused management and culture. Any service to be provided to the customers can be differentiated by the service provider from the rest of the service providers if it posses some unique selling proposition. The customers compare the perceived service with the expected service. The customer perceives the service quality to be high if it is perfect on his expectation. This perception leads to customer satisfaction with the related service. In the present time, customer satisfaction is an interesting and dynamic concept. Customers are now demanding an individualistic and are no longer willing to accept delay in transactions. A customer centric view has replaced the earlier product centric view. It becomes imperative for service providers to meet or exceed the target customers' satisfaction with quality of services expected by them. Hence, the present research will attempt to study the below mentioned four objectives.

OBJECTIVES

1. To examine the use of a range of traditional services provided by public and private sector banks.
2. To find out adoption rate of IT enabled service provided by public and private sector banks to their customers.
3. To identify problems behind not using IT enabled banking channel.
4. To examine customer satisfaction level regarding quality of services provided by the banks

RESEARCH METHODLOGY

Research methodology deals with a systematic and scientific methods that can be adopted to solve research problems. Methodology is a crucial step in any research because it directly influences the whole research and its findings.

RESEARCH DESIGN

The present study is carried out to gain an insight into the various aspects of services (Traditional and IT) provided by the public sector and private sector bank and the customer satisfaction level along with use of diverse banking channel by their customers.

DATA COLLECTION METHOD

In the present study only primary data is collected through questionnaire. It is prepared and distributed to the respondents of 6 banks which are selected on the basis of popularity and respondents were contacted on a personal basis as well as through email. Field survey was conducted in the month of January 2012 at Udaipur city, Rajasthan.

TOOLS USED FOR DATA ANALYSIS

Conclusion and findings have been derived from analysis and interpretation of data on the basis of **percentage** method.

SAMPLING PLAN

In the present study, the banking industry has been divided into two parts:

1. Public sector bank group
2. Private sector bank group

Initially 200 customers of various banks were selected on simple random basis. Then on the basis of popularity of banks among those 200 customers 3 public sector banks **(State Bank of India, Punjab National Bank and union bank)** and three private sector banks **(ICICI, HDFC and AXIS bank)** were selected for the study. This step was followed to have Inter Bank comparison. After identification of bank, it was planned to select 20 customers randomly from each bank making a total of 120 customers as sample. Respondents are those who already have their account in that particular bank and are of different age, sex, religion, profession and family background.

LIMITATION

The present study emphasized on some of the bank services for which data were available.

RESULT AND DISCUSSION

REASON BEHIND DEALING WITH PARTICULAR BANK

Bank reputation, low average balance and low service charges are the most important reason behind dealing of respondents with nationalized banks where as factors like effectiveness in the transaction and availability of ample of tech savvy services are the common reason behind dealing of respondents with private sector banks. SBI leads in bank reputation whereas ICICI bank is very effective in transaction.

Table 1: Customers reason behind dealing with particular bank

	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
Reason	**SBI (n=20)**	**PNB (n=20)**	**UNION (n=20)**	**AXIS (n=20)**	**HDFC (n=20)**	**ICICI (n=20)**
Feasible Location		1	3	3	1	
Low service charges	6	5	4			
Effectiveness in transaction				14	14	15
Average account balance	2	3	4			
Availability of sample of tech - savvy services		1		3	5	5
Bank reputation	12	10	9			

(Source of data: - Field survey results)

TRADITIONAL BANKING SERVICES AVAILED BY CUSTOMERS

Almost all respondents in each bank were availing facility of cheque deposit and cheque clearing. Only one respondent (5 per cent) had taken loan from SBI bank. About 25 per cent respondents were using the facility of issuance of demand draft, while 50 percent availed the facility of locker and term deposit (Table 2).

Table 2: Distribution of bank customers by availing different services of bank

	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
Services	**SBI (n=20)**	**PNB (n=20)**	**UNION (n=20)**	**AXIS (n=20)**	**HDFC (n=20)**	**ICICI (n=20)**
Locker	10	8	6		4	
Loan	1	2	1	8	12	14
Term Deposit	10	10	6			
Cash credit facility		1				
Gift cheques Cheques deposit	20	18	17	19	20	20
Cheques clearing	20	18	17	19	20	20
Issuance of demand draft	5	2	8			
Cheques clearing status enquiry	3					
Stop payment facility of cheques	3					

(Source of data: - Field survey results)

Besides cheque deposit and cheque clearing services, 40 per cent respondents of PNB were availing locker facilities. The other facility, that is, term deposit was availed by 50 per cent respondents. Almost 10 per cent respondents were availing loan and issuance of demand draft facility. A few respondents (5 percent) were benefited by cash credit facility. All the respondents in union bank were depositing and clearing cheque. About 40 per cent respondents in Union bank were made issuance of demand draft. The locker facility and term deposit was availed by 30 per cent each respondent.

All the respondents in ICICI deposited and cleared cheque, while 70 percent of the respondents had taken loan from the bank. No other facility is being availed by any respondent of ICICI bank. All the respondents in HDFC bank deposited and cleared cheque. About 60 percent respondents are availing loan facility and 20 percent are availing locker facility. All the respondents in Axis bank were depositing and clearing cheque, while only 40 percent respondents were availing loan facility from this bank. No other facility was availed by any of the respondent.

It can be concluded from the study that cheque deposition and cheque clearance are the most popular traditional banking services among the customers of both types of banks. **Among all six banks ICICI bank was found to be the leading money lender bank.** More attractive offers, easy modus operandi of lending of loan and customer friendly approach might be attributed as one of the reason for this finding. The customers of ICICI and HDFC bank perceive the charges of bank are very high as well as security may be the one reasons of not availing other services provided by the banks such as locker, issuance of demand draft, traveler cheque etc where as **SBI is found to be the safest bank as more then 50 percent respondent use locker and term deposit facility.**

AWARENESS AND USE OF IT ENABLE SERVICES BY CUSTOMERS

Two fold strategies like creation of a wide range of services, suitable and beneficial to the customers along with prompt and efficient delivery of these services by the front line staff should be adopted to overcome growing customer dissatisfaction. To ensure quick delivery of these services, banks have introduce revolutionary technological changes like Electronic Fund Transfer (ETF), Electronic Clearing Service(ECS), Net Working the Service Branches, Automatic Teller Machines (ATM), modern and up-dated communication facilities. Now a day more and more

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customers are showing interest in using IT enabled services like ATM, internet banking, mobile banking, phone banking (Table 3). An effort was made to know the awareness and to scrutinize different IT enabled services used by customers. ATM is the most widespread IT enabled service used by customers of public sector bank also. Customers of nationalized banks were using comparatively fewer IT enabled services as compared to private banks (Table 4). About half of the respondents were using credit card and debit card in SBI bank. In PNB, 25 percent respondents are using credit card and debit card and very few (5 per cent) respondents were availing Electronic Clearing Services.

Majority of respondents in ICICI, HDFC and Axis bank were using ATM, while more than half respondents were using credit card, ECS and internet banking. Few respondents of ICICI bank that is 25 percent were availing utility payment services and EFT and near about 75 percent are availing ECS, internet, mobile and phone banking facility. In HDFC bank more than 50 per cent respondents were availing ECS and EFT while 70 percent respondents are using Internet, mobile and internet banking. Few respondents that are 15 percent are using RTGS. In Axis Bank 75 percent of respondents are using credit and debit card facility while 50 percent are using internet banking and ECS. Other facilities like utility payment services, RTGS, EFT are also used by few respondents. The analysis of data reveals that a few respondents in Udaipur were availing IT enabled services other than ATM. One respondent in any above bank was using online tax accounting and foreign exchange system.

The respondents were also asked about the reasons of not using IT enabled services and they mentioned various reasons such as lack of security, awareness and need. Although Information technology provides flexibility in performing financial transaction, fast and easy, however individuals are still reluctant to adopt the system because of the risk associated with it. Customers are not ready to take any risk on using the new system. Banks should create more awareness regarding all Information Technology enabled services among customers and should put more efforts in increasing security features of these services

Table 3: Awareness of IT enabled services among bank customers (n=120)

Variables	YES	NO
ATM	100	20
Internet Banking	45	75
Phone Banking	50	70
Mobile Banking	50	70

(Source of data: - Field survey results)

Table 4: Bank customers using IT enabled services

	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
Traditional Services	**SBI (n=20)**	**PNB (n=20)**	**UNION (n=20)**	**AXIS (n=20)**	**HDFC (n=20)**	**ICICI (n=20)**
Electronic fund transfer	1	1	2	2	10	5
ECS	2	1	2	10	11	15
Utility payment services	1			5	7	5
Credit card	10	5	5	15	18	18
ATM	10	9	8	15	19	20
Internet banking	4	1	1	10	14	15
RTGS				1	3	3
Online tax accounting						1
Foreign exchange system					1	
Mobile and phone banking	5	3	2	11	13	16

(Source of data: - Field survey results)

Table 5. Reasons for not using IT Enabled services

	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
Variables	**SBI (n=20)**	**PNB (n=20)**	**UNION (n=20)**	**AXIS (n=20)**	**HDFC (n=20)**	**ICICI (n=20)**
Risky	15	14	10			
High Charges				3		
Not required			2		2	1
Can't operate	5	6	8			

(Source of data: - Field survey results)

CUSTOMER SATISFACTION LEVELWITH QUALITY OF SERVICES

Five parameters of quality of services i.e. employee behavior, accessibility, ambience, infrastructure and working hours are used to asses satisfaction level of bank customers. Majority of the respondents were not satisfied with employee behavior in SBI (75 per cent), PNB (70 per cent) and Union bank (75 per cent). On the contrary, majority of the respondents were satisfied with employee behavior in private bank i.e., ICICI (90 per cent), HDFC (90 per cent) and Axis (75 per cent). It shows that customer of private banks are more satisfied than nationalized banks due to strong management system of the banks. Management should give more emphasis on training and development of bank personnel, employee motivation, procedures and systems, customer education, analysis of individual customer behaviour (psychological and social aspects), opening of extra counters on busy days (pay days, examination fee pay days etc.) and display of day to day changes in rules and regulations to improve understanding between both bank staff members and their customers.

Almost all the respondents, that is, 90 per cent were satisfied with the accessibility of SBI, while majority of the respondents, that is, 50 per cent and 600 per cent were not satisfied with the accessibility of the PNB and Union bank. On the other hand 100 percent respondents of ICICI bank and 75 percent respondents of HDFC were satisfied with accessibility. Few of the respondents, that is, 60 per cent were satisfied with the accessibility of AXIS bank. The reason of the above findings might be attributed that SBI has maximum number of branches and ATMs in Udaipur in comparison to PNB and Union bank. Among private banks, ICICI have the maximum branches and ATMs in Udaipur. AXIS has few Branches and ATMs in Udaipur so people have faced accessibility problem.

The analysis of data shows that half of the respondents were satisfied with the ambience of SBI, while 55 and 50 percent of the respondents were satisfied with the ambience of PNB and Union bank. On the other hand, majority of the respondents, that is, 75 per cent respondents were satisfied with the ambience of ICICI and AXIS bank and 90 percent respondents were satisfied with the ambience of HDFC bank. This is the era of technological advancement and the banking is highly competitive. Well computerized private banks are beginning to compete seriously with the nationalized banks. Banks are trying to get customers' attention and good ambience would be the part of this competition. It would be the reason of great satisfaction of respondents with ambience of almost all the banks.

Next important factor of quality of service was infrastructure of the banks. The figures in the Table 6 shows that a few respondents, that is, 20 per cent each were satisfied with the infrastructure of SBI, while 40 per cent respondents satisfied with the infrastructure of PNB and Union bank. On the other hand, majority of the respondents, i.e., 80 per cent were satisfied with the infrastructure of ICICI and HDFC bank and 70 percent of the respondents were satisfied with the infrastructure of AXIS bank. Respondents of private banks were more satisfied with infrastructure of their banks in comparison to national banks.

Working hours are longer in the private banks than nationalized bank. Only 35 per cent, 50 percent, 35 percent respondents were satisfied with working hours of the SBI, PNB and Union bank. On the other hand, majority of respondents, that is, 90 per cent were satisfied with working hours of ICICI, little less that is 80 percent the respondents of HDFC and AXIS bank were satisfied with the working hours of bank. Several aspects like availability of credit, word of mouth publicity, advice and recommendation, convenient location, ample of bank products, the quality of services, ease of use of ATM, satisfactory banking hours, Return on Investment, sociability of personnel, understanding women, and bank standing etc plays very crucial role for the customer to select particular bank

Table 6: Bank customer's satisfaction

Services	**PUBLIC SECTOR BANK**			**PRIVATE SECTOR BANKS**		
	SBI (n=20)	**PNB (n=20)**	**UNION (n=20)**	**AXIS (n=20)**	**HDFC (n=20)**	**ICICI (n=20)**
Employee behavior						
1. Satisfied	5	4	4	15	18	18
2. Dissatisfied	15	14	15	3	2	1
3. Neutral		2	1	2		1
Accessibility						
1. Satisfied	18	10	8	12	15	20
2. Dissatisfied	1	10	12		4	
3. Neutral	1			8	1	
Ambience						
1.Satisfied	10	10	10	15	18	15
2.Dissatisfied	5	4	6	1	1	4
3.Neutral	5	5	4	4	1	1
Infrastructure						
1.Satisfied	4	8	8	14	16	16
2.Dissatisfied	10	8	5		2	1
3.Neutral	6	4	7	5	2	3
Working hours						
1.Satisfied	7	10	7	16	16	18
2.Dissatisfied	7	8	9	3	2	2
3.Neutral	6	2	4	1	1	

(Source of data: - Field survey results)

COMPLAINTS MADE BY CUSTOMER

Uppal R.K (2010) concludes that the maximum complaints are in the public sector banks and are continuously increasing, and as such, they adversely affected customers' satisfaction and performance. Each and every bank should establish a customer care centre to solve the complaints of the customers. Private sector and foreign banks are taking the lead in making customers happy. A few respondents, that is, only 20 per cent respondents made complain to SBI, PNB and Union bank. A little respondent in ICICI, HDFC and AXIS bank made complain to their bank, that is, 25 per cent, 25 percent and 40 per cent respectively. The nature of complains in different banks were found to be Credit cards, Cheque delay, Demand draft delay, High/hidden charges, Loan delay, Misbehavior and harassment ,poor customer service, High / Hidden bank charges and low interest, Delay in remittance / transfer of funds / transfer of A/Cs/ completion of passbooks or statement of A etc. Table 7 shows that customers had negligible complaints, out of which some are solved instantaneously and rest of the matters took some time to be sort out. The single matter in ICICI was unsolved, while all banks had taken lots of time to solve customers complain. 25 per cent complaints in SBI, PNB and Union bank were solved instantaneously, while in private banks 50 per cent matters were solved instantaneously It is also observed that sometimes respondents did not expect the matter to be solved, while sometimes they did not want to go for complaining.

Table 6: Bank customer's satisfaction

COMPLAINTS	PUBLIC SECTOR BANK			PRIVATE SECTOR BANKS		
	SBI (n=20)	PNB (n=20)	UNION (n=20)	AXIS (n=20)	HDFC (n=20)	ICICI (n=20)
1. Have you ever made complain						
a. Yes	4	4	4	5	5	8
b. Never	16	16	16	15	15	12
2. Kind of complain made you						
a. Cheque delay	2					
b. Demand Draft delay		1	2			
c. High/ hidden charges				5	4	7
d. Credit card				1	1	2
e. Loan delay	2	4	4			
3. Status of complaints						
a. Solved	1	1	1	3	2	4
b. Unsolved						1
c. Takes time	3	3	3	2	3	3

(Source of data: - Field survey results)

SUGGESTIONS

Above analysis focuses on bank modernization needs along with expansion of networks, and persistent strive for improvement. There is an appropriate need of CRM in banks. All the banks should constitute customer service committee. There should be trained, honest, polite, sensitive operating staff to handle the complaints.

PUBLIC SECTOR BANK

Customers needs prompt service, Working hours, Infrastructure, ambience should be enhanced, bondage between Employee and customer should be improved, customers should be motivated to use IT enable services, adequate efforts should be made to educate and empower customers about various new product and services

PRIVATE SECTOR BANK

Charges should be reduced and it should not be hidden, opaqueness in the system and procedures, problems should be solved on the spot, separate account statement should be issued for credit cards transactions, continuous harnessing of power of information, grievance redressal mechanism

CONCLUSION

In present paper customer satisfaction was measured with respect to various dimension along with traditional and IT enabled banking services used by customers. It is observed that there is a crucial need to shift from Brick & Mortar concepts of banking to new hi-tech banking. Traditional banking services like cheque deposit and cheque clearance are still the most commonly used by the customers of all six banks. Banking is undergoing a rapid and radical transformation due to all-pervasive influence of Information Technology, telecommunication and Electronic Data Processing still so many customers are not aware about different products and services provided by their bank. Majority of the respondents of public sector banks were not using IT enabled services except ATM due to factors like risk, lack of need and operating problem. Private banks levied higher as well as hidden charges on different services to the customer in comparison to public banks. There is a strong need of bondage between employee and customer in the nationalised bank as customers are not satisfied with the employee behavior and infrastructure, while private bank customers are not satisfied with high charges, accessibility and lack of opaqueness in terms and conditions. The study also shows that only a few respondents made complain to their respective banks. The nature of complain was mostly delay in credit cards, loans, delay in transaction and hidden charges Hence, the study throws light on different aspects and drawback of services of the nationalized, private banks. Training on stress management and public dealing should be imparted to the employees as well as empower, support and reward frontline personnel of public banks along with establishing enabling infrastructure and ambience to compete with private banks in India. Thus public sector banks should embrace change and strive continuously for making customer aware and educate about IT services with excellence for better customer service

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SATISFACTION AND DISSATISFACTION OF INTERNET BANKING USER AND NON-USER IN COIMBATORE

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ABSTRACT

An analysis is done on the major deciding factors that will influence the satisfaction level of the internet banking adopters. Customers not preferring to use internet banking thought that they would be swindled when using this service, and therefore, are particularly careful about high risk expectation during money transfer. Although many major banks have started offering internet banking services, the slow pace will continue until the critical mass is achieved for PC, internet connections and telephones. However, the upsurge of India as the IT outsource hub, and its growing demands are pressuring the government and bureaucracy in the country to support and develop new initiatives for a faster spread of internet banking. But then to there is a fear in mind of customer using internet as a medium for the banking transaction. Private and foreign banks are trying to turn more and more customers toward internet for banking transactions. This research is basically to know the relation of various independent variables on the customer usage of internet for banking.

Keywords: *Internet banking, satisfaction level of adopter and non adopter, net banking user perceptions.*

Introduction

The financial products and services have become available over the Internet, which has thus become an important distribution channel for a number of banks. Banks boost technology investment spending strongly to address revenue, cost and competitiveness concerns. The purpose of present study is to analyze such effects of IB in India, where no rigorous attempts have been undertaken to understand this aspect of the banking business. A study on the Internet users, conducted by Internet and Mobile Association of India (IAMAI), found that about 23% of the online users prefer IB as the banking channel in India, second to ATM which is preferred by 53%. Out of the 50 Internet users sampled in our study, 67% use online banking channels in India. This shows that a significant number of online users do not use IB, and hence there is a need to understand the reasons for not using it. Until the advent of ATMs, people were unaware and/or not directly affected by the technological revolutions happening in the banking sector. In the study by IAMAI, it was found that the people are not doing financial transactions on the banks' Internet sites in India because of reasons such as security concerns (43%), preference for face-to-face transactions (39%), lack of knowledge about transferring online (22%), lack of user friendliness (10%), or lack of the facility in the current bank (2%).

Need for the study

Many major banks have started offering net-banking services, the slow pace will continue until the critical mass is achieved for PC, internet connections and telephones. However, the upsurge of IT professionals with growing demands is pressuring the government and bureaucracy in the country to support and develop new initiatives for a faster spread of i-banking. But then to there is a fear in mind of customer using internet as a medium for the banking transaction. This study is basically to know the relation of various factors on the customer usage of internet for banking.

Objectives

* This study has been undertaken to find out the factors that affect the usage of Internet banking, to classify the users and non-users, and to identify why people have not accepted the technology fully though it provides much advantage to the banking customers as compared to the previous technologies.
* To get insight into net banking user's perceptions, requirements and problems and to estimate the level of satisfaction of the net banking users.
* To study the association between the internet usage and demographic factors, to profile the adopters and target the prospective adopters
* To study the influencing factors for Internet Banking (IB) non-user for not opening net a/c and to analyze the cause-effect relationship behind the issue to enhance net banking.

Review of literatures

Sena Ozdemir and Paul Trott,(2008) examined the factors affecting the process of IB adoption and to characterise different IB adopter and non-adopter segments in Turkey.

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The paper adopted a multi-method approach employing qualitative and quantitative types of research. The findings showed that IB adopters and non-adopters have different perceptual, experience related, socioeconomic and situational characteristics. Joseph et al. (1999) investigated the influence of internet on the delivery of banking services. They found six underlying dimensions of e-banking service quality such as convenience and accuracy, feedback and complaint management, efficiency, queue management, accessibility and customization. Jun and Cai (2001) identified 17 service quality dimensions of i-banking service quality. These are reliability, responsiveness, competence, courtesy, credibility, access, communication, understanding the customer, collaboration, continuous improvement, content, accuracy, ease of use, timeliness, aesthetics, security and diverse features. Jayawardhena (2004) transforms the original SERVQUAL scale to the internet context and develops a battery of 21 items to assess service quality in e-banking. Rahmath Safeena, Hema Date and Abdullah Kammani (2011),, National Institute of Industrial Engineering (NITIE), Mumbai, India, determines the factors influencing the consumer's adoption of internet banking in India and hence investigates the influence of perceived usefulness, perceived ease of use and perceived risk on use of IB. It is an essential part of a bank's strategy formulation process in an emerging economy like India. Rajesh Kumar Srivastava (2007), focused on what are the customer's perceptions about internet banking and what are the drivers that drive consumers. How consumers have accepted internet banking and how to improve the usage rate were the focus of research area in this study. The study revealed that education, gender, income played an important role in usage of internet banking Ajay Prakash and Garima Malik (2007), examines the factors that affect the adoption of Internet banking in India. It also highlights the major services of I-banking in India. V. Ravi Mahil, Carr N., and Vidya Sagar, investigates and identifies potential customers based on profiles of existing users. The profiles may be used to target and attract potential customers to adopt Internet banking. Significant determining variables that influence adoption of Internet banking were identified from the literature especially from the theory of reasoned action, theory of planned behavior, technology acceptance model and diffusion of innovations theory. Joshua A J and Moli P Koshy (2004), attempt to examine the various usage patterns by customers of these technology enabled services provided. A survey research is conducted among the customers of some of the leading banks in India who are residing in the selected metro and urban banked centres in India. The findings show that though ATMs have been widely adopted, the level of adoption of other electronic banking means like internet banking, tele-banking and mobile banking despite their potential are yet to pick in a big way. The usage patterns revealed through this study has several pointers to bank managements in India. Heikki Karjaluoto, Minna Mattila and Tapio Pento (2003), describe the current state of Internet banking in Finland and to study consumer perceptions, beliefs and reactions to electronic banking in general and Internet banking in particular. The results of this study indicate that bank managers can, by knowing the basic beliefs consumers hold about Internet banking, create more effective customer communication, improve software and target prospects better concerning Internet banking. Neha Dixit, MBA and Dr. Saroj K. Datta (2008), investigates the factors which are affecting the acceptance of e-banking services among adult customers and also indicates level of concern regarding security and privacy issues in Indian context. S. Ozdemir , P. Trott and A. Hoecht (2004), aims to identify perceptual, experience related, demographic, socio-economic and situational characteristics of internet banking adopters and non-adopters. In particular, perceptual differences between IB adopters and non-adopters are to be examined. There were significant differences between adopters and non-adopters of the service in terms of their perceptual, experience and consumer related characteristics

The TAM (Technology Acceptance Model), initially suggested by Davis (1989), is rooted in the theory of reasoned action (TRA). It was developed to explain and predict particularly IT usage behaviour. TAM differs from the other multi-attribute models such as the TRA and theory of planned behaviour (TPB) in the sense that it is a more context specific theory, which attempts to understand the adoption behaviour from an information technology (IT) perspective and suggests specific components of attitudes related to IT usage. Indeed, it has been found that TAM's ability to explain attitude toward using an information system is better than the other multi-attribute models' (TRA and TPB) (Mathieson et al. 2001). In this context, TAM assumes that beliefs about ease of use and usefulness serve as the basis for attitudes toward using a specific system, which in turn determines the intention to use a particular system that generates the actual usage behaviour. Perceived usefulness is defined as the degree to which "a person believes that using the system will enhance his or her performance" (Davis, 1989). Davis et al. (1989) further observed the direct effect of perceived usefulness on behavioural intention that in turn signifies the relative strength of this construct on adoption behaviour. TAM provides a practical utility for service developers. As ease of use and usefulness are factors over which a system designer has some degree of control, the TAM differs from other adoption theories by providing directions to where service development efforts should be focused (Taylor and Todd, 1995). Cheong and Park, 2005; Pikkarainen et al., 2004; Luarn and Lin, 2005; Suh and Han, 2002: Due to the open internet technology infrastructure and lack of sufficient regulations concerning e-commerce activities, the importance of trust and trust related concepts is increasing for internet banking. Therefore, during the model development, the concept of perceived risk was utilized.

Methodology

The research involved in this study is a descriptive research. Descriptive research design is involved for observing and describing the behavior of a subject without influencing it in any way. This study aims at identifying the variables influencing the internet banking user and non-user framework and its effectiveness in level of satisfaction. There are two types of data involved in this project viz. primary and secondary data. Primary data refers to the information collected from various banks by means of the questionnaire. This study includes both types of data. Initially, the information was gathered from the literature articles to gain knowledge about the research area.. The sample size is 50. Percentage Analysis, One way Anova Analysis were used.

Analysis &Discussions

The below table 4.1.1 is the cumulative table of the tests made among all the above discussed variables. The significance values of these variables are checked to prove the nature of dependency of these variables. This gives us an insight into the knowledge of the variables which affect the internet usage rate. This can be used to relate with the users who adopt internet banking, if there is a relation between the total hours spent in the net and adopting internet banking.

Table 4.21: CHI-SQUARE TESTES FOR INDEPENDENCE

	AGE			GENDER			OCCUPATION			ANNUAL INCOME LEVEL		
Internet Usage rate	**Value**	**Df**	**Asymp Sig (tailed)**	**Value**	**Df**	**Asymp**	**Value**	**Df**	**Asymp**	**Value**	**Df**	**Asymp**
For fun play	26.236	12	0.014*	0.7	4	0.951	10.54	12	0.569	19.84	12	0.07
For personal reasons	21.039	12	0.05*	2.834	4	0.586	4.829	12	0.039*	32.62	12	0.001*
For official work	12.066	12	0.44	7.28	4	0.122	24.84	12	0.016*	29.17	12	0.004*

From the above table 4. 1.1 gives the Chi-Square significance values between two corresponding variables of the categorical data. When the sig value is < 0.05, the alternative hypothesis is rejected and when sig value is > 0.05 we reject the alternate hypothesis. Thus in the above case, when sig<0.05, it means there is significant dependence between the two corresponding nominal variables involved in the hypothesis. And, when sig > 0.05, it means that there is no significant dependence between the two nominal variables involved. The below table is derived from this evaluation. It shows which of the following two variables show dependence and which among them don't show any dependence

TABLE 4.2.2: Analyzing the dependency/independency of variables

CHI-SQUARE	AGE	GENDER	OCCUPATION	ANNUAL INCOME LEVEL
For fun/play	Dependant	independent	Independent	Independent
For personal work	Dependant	independent	Dependent	Dependent
For official work	independent	independent	Dependent	Dependent

The following alternate hypotheses are accepted, in the sense they are dependent, their significance value < 0.05.

H1: There is dependence between age and internet usage rate for fun/play (hours/week)

H2: There is dependence between age and internet usage rate for personal work (hours/week)

From the results of the chi-square tests taken, it is evident that the influence of age is evident in the internet usage hours for the purpose of fun/play. i.e. the users in the age group of 18 – 25 spent a longer time in net for fun, rather than the other age groups. This shows that users in the lower age group have a better understanding and knowledge about internet, and would be more willing to adapt to internet banking, more than the older age groups.

H8: There is dependence between occupation and internet usage rate for personal use (hours/week)

H9: There is dependence between occupation and internet usage rate for official work (hours/week)

From the results of the chi-square tests done, it is evident that the type of occupation affects the internet usage hours for personal and official work. Respondents in the category of using internet for long hours for official reasons also have a better understanding about internet, and will be more willing to adapt to internet banking because they know the ease of adapting to online banking and also its time and effort saving ability.

Also those who use internet for paying utility bills, taxes, taking online tickets, also will find it easier to adapt internet banking. Similarly those who never use internet for both personal and official reasons will not be influenced to adapt internet banking.

H11: There is dependence between annual income level and internet usage rate for personal work (hours/week)

H12: There is dependence between annual income level and internet usage rate for official work (hours/week)

Annual income level of the users has an important influence in the internet usage rate. Users with the highest salary and with the lowest salary level (students are the one with the highest usage rate. There is a dependency between income level and internet usage rate for all the three purposes stated in our study. Users with high income levels tend to adapt to internet banking faster than other groups. Most probably their pay is linked to banks with net account, for most private salaried and government employees in the high income bracket. This makes it very easy to switch to net banking if the person is familiar with internet. Students (lowest income level) also have a better chance of adapting to net banking because of the familiarity of the subject.

Thus with the help of Chi-square tests the dependency among the demographic factors and the internet usage rate is found out. The dependency among the factors indicate the probability of their adapting or non-adapting to internet banking. It also aids in profiling the internet banking adapters and non adapters in accordance to the demographic factors. 4.3.1 Test of association – I: Test between the demographic variables (age, gender, occupation and income level) and the various characteristics which determine the satisfaction level net banking account holding customers (adopters)

Table 4.3.1: ONE-WAY ANOVA test results for comparing the demographic variables (age, gender, occupation and income level) based on the various characteristics which determine the satisfaction level net banking account holding customers (adopters)

	AGE		GENDER		OCCUPATION		INCOME LEVEL	
Characteristics	**F**	**Sig**	**F**	**sig**	**F**	**Sig**	**F**	**Sig**
Bank services offered	2.442	0.075	1.129	0.293	1.723	0.174	1.909	0.14*
Account security	1.193	0.322	0.203	0.654	3.056	0.037*	2.214	0.098*
Accessibility	2.427	0.076	0.072	0.79	1.445	0.241	0.498	0.685
Convenience	8.676	0.000*	0.042	0.839	3.511	0.022*	3.300	0.027
Offering help with the services	0.676	0.575	0.722	0.543	0.925	0.435	0.446	0.721
Encouraging customers to start net banking	4.828	0.005*	0.137	0.713	3.088	0.035*	3.253	0.029
Location	1.409	0.251	0.422	0.519	1.447	0.24	5.541	0.062
Customer Relationship Management	1.21	0.31	0.2	0.657	0.722	0.543	1.08	0.366
User-friendliness	0.382	0.766	0.712	0.402	0.806	0.496	1.621	0.196

If the sig value is less than or equal 0.05, then you can reject H0 that all the means are equal. Otherwise the null hypothesis that all means are equal is accepted.

The sig values which are underlined have sig < 0.05, hence their means are significantly different. The implication is that the factors which have sig < 0.05 have significant influence on the independent variable.

The following table 4.3.2 gives a clear idea of the combination of samples which are having a significant association and which possess no associati

Table 4.3.2: Analyzing the association nature of the combination of variables

CHARACTERISTICS	AGE	GENDER	OCCUPATION	INCOME LEVEL
Bank services offered	No Association	No Association	No Association	Association
Account security	No Association	No Association	Association	Association
Accessibility	No Association	No Association	No Association	No Association
Convenience	Association	No Association	Association	Association
Offering help with the services	No Association	No Association	No Association	No Association
Encouraging customers to start net banking	Association	No Association	Association	No Association
Location	No Association	No Association	No Association	No Association
CRM	No Association	No Association	No Association	No Association
User-friendliness	No Association	No Association	No Association	No Association

From the table 4.3.2 it can be analysed that the following hypotheses are accepted, in the sense that sig < 0.05, which means that there exists an association between the variables.

H61: There is a significant association between age and bank's encouraging customers to start up net account

H41: There is a significant association between age and convenience

From the one way ANOVA test done, it is evident that there is a strong association between the age group of the user and the bank's attempts to encourage customers to start up net account. It can be interpreted that users of the lower age brackets 18 – 25 and 25 – 35 would be more willing to take up net banking than the other age groups. There is a strong association between the age factor and the characteristic of encouraging customers to start up net banking. It is to be significantly noted that gender does not influence the level of satisfaction of the internet banking adopters with respect to the characteristics discussed. This implies that the level of satisfaction do not vary with gender. Gender does not affect the characteristics which decide the level of satisfaction of the adopters.

H23: There is a significant association between occupation and the bank's account security

H43: There is a significant association between occupation and convenience

H63: There is a significant association between occupation and bank's encouraging customers to start up net account

From the one way anova test conducted, it is inferred that there is a strong association between the occupation profile of the user and his level of satisfaction with the bank offering the net banking a/c. Account security, Convenience and the bank's efforts to encourage customers to take up net banking are the factors which have a strong association when compared in terms of occupation profile of the respondents. One point of inference would be that students would prefer convenience more, whereas salaried employees would prefer account security, and self-employed people would want convenience as the major criteria for satisfaction.

H14: There is a significant association between annual income level and bank's services offered

H24: There is a significant association between annual income level and the bank's account security

H44: There is a significant association between annual income level and convenience

From the one way anova test conducted, it is inferred that there is a strong association between the annual income level profile of the user and his level of satisfaction with the bank offering the net banking a/c. Variety of services offered by the bank is an important factor which decides the level of satisfaction of the net a/c holders with regards to the income level. This can be inferred that high income level users would prefer variety of services to be offered, which would help them with their investment options. Also account security is a very important factor which decides the satisfaction level of users. Nowadays convenience is also an important factor, as this acts as a competitive advantage forcing banks to provide services to the customers, by causing them no inconvenience in terms of time, effort and cost.

4.3.2 Test of association II: Test between the demographic variables (age, gender, occupation and income level) and the various reasons which prevent the customers from opening a net banking account (non - adopters)

For the study we have arrived at seven reasons which are the major factors that cause a concern to users regarding online banking, based on exploratory research on related literatures.

The following are the seven reasons that are identified as some of the major factors that prevent users from opening a net a/c.

- unfamiliarity of internet usage
- unfamiliarity of internet banking
- security reasons
- procedure for opening net a/c
- dis-satisfaction in opening net a/c
- conservative view about new technologies
- unavailability of net banking (in traditional a/c holding bank)

The one way anova test compares each of these reasons with the independent variables like age, gender, occupation and income level, to test the associating nature of each of these reasons. With the aid of this test, the reasons which will greatly influence the users to prevent adopting of internet banking will be identified.

The general hypothesis is stated below.

H0: Means of the assumed normally distributed populations of the corresponding independent samples are equal

H1: Means of the assumed normally distributed populations of the corresponding independent samples are significantly different

The following hypotheses are drawn to test the association between the reasons defined and the age factor:

H0: There is no association between age and the corresponding reason defined.

H11: There is a strong association between age group and 'unfamiliarity of net usage'

H21: There is a strong association between age group and 'unfamiliarity of internet banking'

H31: There is a strong association between age group and 'security reasons'

H41: There is a strong association between age group and 'long procedure for opening net a/c'

H51: There is a strong association between age group and 'dis-satisfaction in opening net a/c'

H61: There is a strong association between age group and 'conservative view about new technologies'

H71: There is a strong association between age group and 'unavailability of net banking'

If the sig value is less than or equal 0.05, then you can reject H0 that all the means are equal. Otherwise the null hypothesis that all means are equal is accepted.

The sig values which are underlined have sig < 0.05, hence their means are significantly different. The implication is that the factors which have sig < 0.05 have significant influence on the independent variable.

The following table 4.3.2 gives a clear idea of the combination of samples which are having a significant association and which possess no association.

Table4.3.4: Analyzing the association nature of the combination of variables

Table4.3.4: Analyzing the association nature of the combination of variables

REASONS	AGE	GENDER	OCCUPATION	INCOME
Unfamiliarity of internet usage	Association	No Association	No Association	No Association
Unfamiliarity of internet banking	No Association	No Association	Association	No Association
Security reasons	No Association	No Association	Association	Association
Long procedure for opening net a/c	No Association	No Association	No Association	No Association
Dis-satisfaction in opening net a/c	No Association	No Association	No Association	No Association
Conservative view about new technologies	Association	No Association	No Association	No Association
Unavailability of net banking	No Association	Association	No Association	No Association

From the table 4.3.2 it can be analysed that the following hypotheses are accepted, in the sense that sig < 0.05, which means that there exists an association between the variables.

H11: There is a strong association between age group and 'unfamiliarity of net usage'

H61: There is a strong association between age group and 'conservative view about new technologies'

From the one way anova tests conducted, it is identified that age group has a strong association to the following reasons: unfamiliarity of net usage and conservative view of new technologies. It can be inferred that age group has a strong influence on unfamiliarity of internet. We have already concluded from the Chi-Square tests performed earlier that age has strong influence on internet usage. The lower age groups are more familiar and have a longer usage rate than when compared with the older age groups. Similarly, the older age groups may have a conservative view about adopting new technologies; they may feel safer with traditional banking.

H72: There is a strong association between gender and 'unavailability of net banking'

The tests indicate that there is an association between gender and unavailability of net banking in the traditional a/c holding bank. It may be inferred that this is an influential factor when taken with regard to gender.

H23: There is a strong association between occupation and 'unfamiliarity of internet banking'

H33: There is a strong association between occupation and 'security reasons'

It is known from the tests that the unfamiliarity of internet banking and security reasons have a great influence on the reasons that act as impedance to adopt to net banking, when compared with respect to occupation groups. People may feel unsecure with online transactions, rather than traditional face-to-face transactions.

H34: There is a strong association between annual income level and 'security reasons'

From the tests conducted, it is known that the security reasons have a great influence on the reasons that act as impedance to adopt to net banking, when compared with respect to annual income levels. There may be more concerns when transacting in larger volumes, thus depending on the income levels.

Findings

The Chi-Square tests were performed to check the nature of dependence between the independent variables (age, gender, occupation and annual income level) with the internet usage rate. The tests concluded that there exists a strong dependence between age and internet usages for fun/play and for personal use (paying utility bills, taxes, purchasing products online etc.).There also exists a strong dependence between occupation and internet usages for official work and for personal use. The same is held true when compared with annual income level also. Familiarity with internet usage is the major factor that decides the adoption/non-adoption of users to Internet Banking.

Using the one-way ANOVA tests the nature of importance and influence of various characteristics that that decide the satisfaction level of users of Internet banking are identified. It was identified that account security, convenience and the bank's effort to encourage users to take up net banking were major factors that decided the satisfaction level of the net a/c holders. It was also found that age, occupation and income levels had a significant influence on these characteristics. Also using the one-way ANOVA tests the various reasons that act as impedance to customers to adopt internet banking were tested for association with the independent variables. It was found that unfamiliarity about internet usage and internet banking, and conservative views about new technologies were the major impeding factors. Age had a major influence on the factor 'conservative views about new technologies'.

Recommendations:

The hours of computer usage, the frequency and duration of internet usage were found to be significantly higher among users as compared to non-users of technology-enabled banking self-services. Hence banks can target those customers whose usage of computers, internet and other technology products are relatively on the higher side. For instance students, private salaried professionals, HNIs etc

The banks should take initiatives to spread awareness about net banking to the non-users, who are those who are unfamiliar with internet or who have conservative views on banking or who are concerned about account security.

- Banks should organize seminars and conferences to educate the customer regarding uses of online banking as well as security and privacy of their accounts.
- Some elder customers (potential a/c holders, HNIs) are hindered by lack of computer skills. They need to be educated on basic skills required to conduct online banking.
- Banks must emphasize the convenience that online banking can provide, such as NEFT (national electronic fund transfer), purchasing products online (through net banking or credit/debit cards),paying bills online in order to motivate them to use it.
- Banks must emphasize the cost and time saving ability of online banking.
- Banks should ensure that online banking is safe and secure for financial transaction like as traditional banking like use of latest authentic techniques for secure transactions.

The banks could encourage already adopted customers to use these services more frequently through rewarding customers for conducting transactions through these electronic channels with incentives. For instance, ICICI bank had launched a pure online banking savings account in July 2008 called 'b2-Branch-free-Banking', the advantages of which includes 'zero minimum balance', 'zero charges for fund transfer', 'online bill payments', 'mobile top-ups' and 'multi-layered security' (Business Line, 8th July08).

Conclusion

From the findings of the study undertaken, we analyzed the factors that influenced the level of satisfaction of the net account holders, classified the adopters and non-adopters of internet banking, and identified reasons why people have not accepted the technology fully though it provides much advantage to the banking customers as compared to the previous technologies. We also analyzed the net banking user's perceptions, requirements and problems and to estimate the level of satisfaction of the net banking adopters w.r.to various characteristics of the bank's service offered. We identified that bank's account security, its portfolio of services offered and its ability to provide service at convenience of the customer are important factors that foremost decide the efficiency of a bank's net banking facility. Also from the results of our tests conducted, we were able to identify that unfamiliarity about internet and internet banking and fear of unsecure transactions were the main reasons which impede customers to use net banking. Although many major banks have started offering net-banking services, the slow pace will continue until the critical mass is achieved for PC, internet connections and telephones. However, the upsurge of India as an IT outsourcing hub, and its growing demands is pressuring the government and bureaucracy in the country to support and develop new initiatives for a faster, safer and more effective spread of net-banking.

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INVESTMENT PORTFOLIOS AND PREFERENCES OF INVESTORS IN CHANGING TIMES

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ABSTRACT

India is fastest growing economy of largest middleclass potential investors with their changing and growing disposable income and investment habits, There is an emergent need to raise the level of awareness about the different investment avenues among these potential investors. The attitude of investors towards the investment options is changing with the financial liberalization and dynamic business environment. every investor expect that he would get a reasonable return on his investment with minimum risk. The formulation of investment policy need the proper diagnosis of various objectives and constraints of investment. The safety of the investment calls for careful review of economic and industry trends because the investment decision of the investors is determined by these factors and constraints in the changing economic scenario. Hence, the study of the investors behavior is very important tool to decipher the investment influencers for the investors across different portfolios. Such kind of studies help us to identify the parameters and factors which influence the choice of the investors in making investment decisions. Through this study, an attempt has been made to identify and analyze the behavioral aspects which influence the investment decision of investors and to analyze the attitude of investors towards various investment options.

Keywords: *Portfolio management, Derivative securities, Propensity to save, Investment decisions, Investor's behaviour, Capital appreciation*

INTRODUCTION

The economic reforms process has led the Indian capital markets to be more active. The Indian stock markets are steadily moving towards complete computerization, capital efficiency, and effective customer services. The capital market is dominated by the large institutional investors with their diversified portfolios. The investment securities have gained a considerable movement with the increase in the number of mutual funds since 1987. The investment scenario in India got changed with the increased base of securities investment among ordinary investors and the acceptance of quantitative techniques by the investment community. Professional portfolio management, backed up by competent and reliable research, began to be practiced by mutual funds, investment consultants and big brokers. The Securities and Exchange Board of India, the Stock Market Regulatory Body in India, is supervising the whole process with a view to making the portfolio management an effective and responsible professional service to be rendered by experts in the respective field. One of the significant development in the field of portfolio management is the introduction of derivatives securities. The trading in derivative securities and their valuation has broadened the scope of portfolio management. Portfolio management is concerned with monitoring the performance of portfolio by incorporating the latest market conditions, gathering the information on the investors preferences as well as objectives and the implementation of strategies in tune with the investment objectives. This gives an idea of channels of investment in terms of asset classes to be selected and securities to be chosen based upon the liquidity requirements, time horizon, taxes, asset preferences of investors. The investment policy is always formulated on the basis of these objectives and constraints which lay down the weights to be given to different asset classes of investment such as equity share, preference shares, debentures, company deposits, etc. The effective investment strategy for a time horizon for income and capital appreciation and for a level of risk tolerance need to be formulated after the proper evaluation of these objectives and constraints. The investment strategies have to be correlated with their expectation of the capital market and the individual sectors of industry.

LITERATURE REVIEW

Over the period of time through various researches, it has been found that the Indian investors usually preferred low risk, high return and liquidity to return. The investment scenario in India got changed with the increased base of securities investment among ordinary investors and the role of Securities and Exchange Board of India in the regulation of the securities have increased. Rao V. Appa (1981), concluded that in developing countries, there is a tendency and impression that the marginal propensity of

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the rural families to consume is high and consequently, their capacity for saving is low, therefore, there is a need for providing incentives for improving and mobilisation of the rural savings. Pandit. B.L.(1991), stated that in a developing economy where per capita income is increasing, the propensity to save is influenced by the economic growth.

The pattern of saving and investment in relation to income is influenced by the distribution of income between the urban and rural households. Sharma, P.D.(1996), pointed out that the level of saving in the household sector are very high in comparison to the public and private sector. Sarkar A.K. and Rastogi S.P.(1988), emphasised up on a need of effective income distribution policy for the mobilisation of household savings. Anand J.C. (1995), stated that the investors are confused and indecisive about the investment decisions. The traditional investors perceive that the investment in equity shares as a gamble and they prefer to invest in the long run fixed deposits in the banks. Muraleedheran, D.(2008), concluded that the household savings varies considerably in accordance with their level of income. The rate of saving of the high income group is higher than the low income group in the rural as well as urban areas. Further, the significance of the location factor i.e. rural-urban variable in the level of saving and investment is also found statistically significant.

G. Ramakrishna Reddy and Ch. Krishnudu (2009), concluded that the earning capacity of the household influence the investor behaviour and preference. Ranganathan, K.(2006), found that the financial market with the reforms of industrial policy have resulted into many changes in the Indian money market, mutual funds and capital market and these markets have influenced by the investor's financial behaviour. Mittal, M. and A. Dhade.(2007), expressed that all investment involves risk because the investment decision is based upon the present situation whereas the future is uncertain which can result into negative outcomes.

Sarvekshana(1986),reveals that the financial assets are of comparatively greater importance in the urban sector as compared to rural sector. Gupta A.(2000), examined the performance of mutual funds in the framework of risk and return in India. Lalit, M.K. and Kanika, S.(2010), observed that the main sources of information for the investors to consider the investment decision were websites and print media. The investors preferred to invest their money on the secured mode of investments like public provident fund, employees provident fund and post office saving schemes.

RESEARCH GAP

The trend towards liberalization and globalization of the economy has promoted free flow of the capital across international borders. Portfolios at present include not only domestic securities but also foreign securities. Diversification has become international phenomenon. The main objective of the portfolio management is to increase the return for the level of risk to the portfolio owner ensuring a reasonable income, appreciation of capital at the time of disposal, safety of the investment and liquidity etc. The objective of every investor is to get a reasonable return on his investment without any risk. Any investor desires regularity of income at a consistent rate. However, it may not always be possible to get such income. Every investor has to dispose his holding after a stipulated period of time for a capital appreciation. Capital appreciation of a financial asset is highly influenced by a strong brand image, market leadership, guaranteed sales, financial strength, large pool of reverses, retained earnings and accumulated profits of the company. A portfolio management desires the safety of the investment. The safety of the investment calls for careful review of economic and industry trends because the investment decision of the investors is determined by these factors and constraints in the changing economic scenario. Hence, the study of the investors behavior is very important tool to decipher the investment influencers for the investors across different portfolios. Such kind of studies help us to identify the parameters and factors which influence the choice of the investors in making investment decisions. Keeping in view this objective, through the present study an attempt has been made to explore and analyze the investment behavior of the investors.

Objectives

The objectives of the present study were as under:-

- **To identify and analyze the various behavioral aspects that can affect the investment decision of the investors**
- **To analyze the attitude of the investors towards various investment options available to them**
- **To study the factors which influence the investment decision of the investors**

Methodology

The present study comprises the descriptive research, wherein the different variables are uncontrollable and only the trend of the current scenario of investment pattern of investors has been reported by analyzing the investors attitude towards the various investment options available to them. The study is based on both primary and secondary data. Primary data was collected through the questionnaire which was administrated to the respondents. The study was purposively selected to undertake at Shimla city of Himachal Pradesh. The city is home to various kinds of people hailing from different backgrounds, upbringings and religions. It also has its share of individuals belonging to different social and economic classes. For the present study, the sample design is based upon the non probability sampling. The deliberate and convenience sampling methods were used because of the heterogeneity of the sample units. The total number of respondents were 120, which were selected for the sample on non random basis. Every care was taken to ensure that the sample selected was truly representative of the whole population. A well design questionnaire was administrated for obtaining the required information from the sample units. The information thus collected was analyzed with the help of statistical tools like percentages and ranking methods.

RESULTS AND ANALYSIS

Demographic characteristics of the investors

Demographic characteristics like gender, age educational qualifications, occupation and income of the respondents has been presented in table-1. Table shows that the sample comprises 71.67 percent of male and 28.33 percent of female. The majority of the respondents (47.50 percent) belongs to the age group of 30-45 years. Majority of the investors was from the middle age group. Below 20 and above 60 age group just constitute 4.17 percent each to the total number of respondents.51.67 percent of the respondents were graduates and a good percentage (40 percent) were post graduates. The data is therefore a reflection of the viewpoints shared by the educated class of the society. The sample constitutes the balanced representation of government and private employees, students as well as businessman and professionals. The large majority of respondents(51.66 percent) were found from the monthly disposable income group of 10,000-20,000.

Investment experience of the investors

The majority of the respondents have been investing in the market for 3 – 5 years (table-2). Similarly, 28.33 percent of the respondents have been investing for 1 – 3 years. A very good percentage (15.84 percent) has been the experience of investing for a period of more than 5 years, which indicates that majority of respondents have a good knowledge and information of the market and the available investment opportunities.

Objectives of investment

The different investors have different objectives of the investment. In order to find out the main objective of investment, the respondents were given three options viz. capital appreciation, regular income and tax savings (table-3). The large majority of the respondents (61.67 percent) stated that the capital appreciation was the main objective of investment, whereas tax savings and regular income was considered the main objective by 20 percent and 18.33 percent of the respondents respectively.

Sources of information for investors

We are living in a world where we are witnessing the rapid change and revolution in the area of information technology. Therefore, the investors have different medium and sources of information and communication. While assessing the main source of information for investors, we identified six sources as independent decision, newspapers/magazines, brokers and sub- brokers, financial advisors, advertisements and family and friends (table-4), and the respondents were asked to rank the different sources of information in order of merit. Newspaper and magazines was given the first rank followed by family and friends, brokers and sub- brokers, advertisement, independent decision and financial advisor as second, third, fourth, fifth and sixth rank respectively.

Investment options for investors

An investors have various options for the investment of his disposable income according to the economic scenario of the country. Although the options of the investors changes with the change in market situation, however, a general trend can be projected by the investors relating to the options for his investment decision in given environment. In order to find out the most suitable option, the respondents were given different options viz. bank deposits, post office schemes , mutual funds, equity, bonds/debentures, real estate and bullion (table-5), and the respondents were asked to mark these options on the basis of importance. Whatsoever, the situation, the first option was given by the respondents to bank deposits and the second option to post office schemes. The investment on equity was assigned third rank, whereas bonds and debentures were given last and seventh rank by the respondents. Therefore, in order to ensure the security and minimum risk, the investors prefer to save their money through bank deposits and various post office schemes.

Investment influencers of investors

The investment decisions of the investors are influenced by the variety of the factors. However, we have identified the six factors which can influence the investment decision of the investors' viz. risk and return, past performance, liquidity, safety and security, market trend and time frame and maturity (table-6). The respondents were asked to assign these factors in order of their preference. The table shows that the safety and security of the investment is still the driving force of the investment decision for majority of the investors. Similarly, the investors were also looking for liquidity, risk and return as the major factor which influence the investment decision in a given market trend. While ranking the different factors in order of preference assigned by the respondents, it was found that the first rank was given to safety and security followed by the rate of return and liquidity as second and third rank respectively. Past performance, time frame and maturity and market trend were given fourth, fifth and sixth ranks respectively. It is heartening to note that the investors have considered the market trend as the least important factor so as to influence the investment decision of the investors. Therefore, it can be inferred that the investors do not give much weight to market trend because it rapidly changes with the overall business environment. However, safety and security, liquidity and return were the main influencers and drivers of the investment decision for the investors.

Expected return and level of risk

As we know that the risk and return are the main factors which determine the investment decision of the investors. Keeping this view in mind, the investors were asked that how much return they expect from their investment. The information regarding this has been given in table-7. The information reveals that the majority of the investors (46.66 percent) expected less than 5 percent of the return whereas 40 percent stated that they can expect 5-10 percent of the return from their investment. Whereas only 4.17 percent expected 15-20 percent return. None of the respondent was found who expect more than 20 percent of the return. Similarly, the risk level expected by the respondents has been shown in table-8. The table shows that only 9.17 percent of the respondents were ready to take high risks for high returns. 46.66 percent of the respondents prefer the moderate risk. Whereas, 44.17 percent of the respondents were willing to take low risks. Hence, it was found that the respondents were a bit risk averse. Although the majority was of moderate risk takers, very few were ready to take bold steps towards high level of risk.

Withdrawal period

The withdrawal period opted by the respondents has been presented in table-9. The large majority (43.33 percent) of the respondents were willing to retain their investments for a period of less than 2 years. A good number of 26.67 percent were ready to withdraw their investments in 2--5 years. 19.17 percent and 10.83 percent of the respondents were found to keep their investments for 5--10 and more than 10 years respectively. This shows that majority of respondents are short term investors.

CONCLUSIONS AND IMPLECATIONS

There are various behavioral aspects that effect the investment decision and preference of an investor, like age, size of family, gender, income and occupation. Investors prefer to create a need base portfolio rather than opting the blind saving. As compared to male respondents, females prefer to take less risk and they did not prefer speculation in investment.

Capital appreciation was found the major objectives of investment among the investors, however, a good number of investors stated that the tax saving was also the objective of investment.

Newspapers, television, magazines, family and friends and brokers/sub-brokers are most popular sources to get information for investment options Investors normally prefer multiple sources for right decision making because according to them the investment decision is a most crucial decision, therefore, it need a careful diagnosis of all relevant information and guidance. Investment portfolio management is the most important factor for the investors. While deciding about the portfolio, the investors should apply their wisdom and knowledge instead of making decisions under the influence of other persons.

The options of the investment for the investors usually changes with the change in general environment of the business. However, the investors do not prefer to shape the diversified portfolios. They do not arrange total allocation in such a way that diversification across various securities reduce the overall risk and balance their portfolio. They prefer to invest more in the safer options, like bank deposits and post office saving schemes. Investors do not invest their all savings in single security only but they form the combination of securities in such a way that the securities include both long and short term investments. Moreover, investors gave preference to the bank fix deposit and post office schemes. ,equity, mutual funds, real estate, bond/debenture and bullion. However, in this study, it was found that the majority of the investors preferred to save their money through bank deposits and various post office schemes.

The investor's decision for the investment were affected by the variety of factors, notwithstanding, safety, security, liquidity and returns were the main influencers of the investment decision. Many investors were not fully aware about different factors and aspects of investment portfolio and they measure the portfolio by only two factors i.e. risk and return. The relationships between the ability to bear risk and the expectation of return are found complementary and sometimes as contradictory while assessing the investors psychology towards investment. Some investors expect high return but are not ready to bear high risk. Each portfolio need to be tailored to the particular needs of the investor. The construction of investment portfolio for the investors is determined by the various aspects like knowledge and information, tax savings, return, risk etc. The investors consider and analyze the multiple factors for building combination of various investment options. Normally, investors seek multiple factors in the securities of their investment portfolio, those investors who were educated and had knowledge and information, had preferred for the combination of various characteristics in their portfolio like: risk and return, security, time frame, market trend etc.

While assessing the level of expected return and risk, it was found that the majority of the investors expected five to ten percent of the return on their investment. Similarly, a large majority of respondents preferred the moderate and low level of risk on their respective investments. Further, the appropriate withdrawal period among the maximum investors were found as less than two years. Therefore, the investors preferred the short term investments

Table-1 Demographic characteristics of the sample (N=120)

Items	Particulars	Frequency	Percentage
Gender	Male	86	71.67
	Female	34	28.33
Age	Below-20	05	04.17
	20-30	34	23.33
	30-45	57	47.50
	45-60	19	15.83
	Above-60	05	04.17
Qualification	Undergraduate	10	08.33
	Graduate	62	51.67
	Post graduate	48	40.00
Occupation	Private sector	24	20.00
	employees		
	Government	29	24.17
	employees		
	Student	09	07.50
	Business	24	20.00
	Profession	34	28.33
Income	Below--10000	29	24.17
	10000--20000	62	51.66
	20000--40000	24	20.00
	Above--40000	05	04.17

Table-2 Investment experience of investors

Experience	Respondents	Percentage
Less than 1 year	09	07.50
1 – 3 years	34	28.33
3 – 5 years	58	48.33
More than 5 years	19	15.84
Total	**120**	**100.00**

Table-3 Investment objectives of investors

Objectives	Respondents	Percentage
Capital appreciation	74	61.67
Regular income	22	18.33
Tax saving	24	20.00
Total	**120**	**100.00**

Table-4 Sources of information

Particulars	Independent decision	Newspapers/ magazines	Broker and Sub-Broker	Financial advisors	Advertise -Ments	Family and friends
Respondents giving first rank	17(102)	34(204)	20(120)	10(60)	15(90)	24(144)
Respondents giving second rank	14(70)	28(140)	22(110)	12(60)	21(105)	23(115)
Respondents giving third rank	19(76)	24(96)	23(92)	09(36)	20(80)	25(100)
Respondents giving fourth rank	17(51)	20(60)	21(63)	18(54)	22(66)	22(66)
Respondents giving fifth rank	20(40)	21(42)	22(44)	15(30)	19(38)	23(46)
Respondents giving sixth rank	21(21)	18(18)	23(23)	18(18)	20(20)	20(20)
TWS	360	560	452	258	399	491
RANKS	**V**	**I**	**III**	**VI**	**IV**	**II**

Note:-

1. The first rank was given a weight of 6, second 5, third 4, fourth 3, fifth 2 and sixth 1.
2. The ranks were given on the basis of Total Weighted Scores (TWS)
3. Figures in brackets shows Weighted Scores (WS)
4. TWS denotes Total Weighted Scores

Table-5 Investment options for investors (N=120)

Particulars	Bank Deposit	Post Office Scheme	Mutual funds	Equity	Bonds/ debentures	Real Estate	Bullion
Respondents giving first rank	26(182)	21(147)	17(119)	20(140)	10(70)	12(84)	14(98)
Respondents giving second rank	27(162)	21(126)	13(78)	16(96)	12(72)	14(84)	17(102)
Respondents giving third rank	18(90)	22(110)	21(105)	24(120)	08(40)	08(40)	19(95)
Respondents giving fourth rank	20(80)	19(76)	25(100)	18(72)	10(40)	12(48)	16(64)
Respondents giving fifth rank	19(57)	17(51)	18(54)	16(48)	13(39)	14(42)	23(69)
Respondents giving sixth rank	17(34)	16(32)	14(28)	15(30)	20(40)	18(36)	20(40)
(20) Respondents giving seventh rank	11(11)	12(12)	20(20)	13(13)	23(23)	21(21)	20(20)
TWS	616	554	504	519	324	355	488
RANKS	**I**	**II**	**IV**	**III**	**VII**	**VI**	**V**

Note:-

1. The first rank was given a weight of 7, second 6, third 5, fourth 4, fifth 3, sixth 2, seventh 1.
2. The ranks were given on the basis of Total Weighted Scores (TWS)
3. Figures in brackets shows Weighted Scores (WS)
4. TWS denotes Total Weighted Scores

Table-6 Investment influencers of investors (N=120)

Particulars	Risk and Return	Post Performance	Liquidity	Safety and Security	market trend	Time Frame and maturity
Respondents giving first rank	24(144)	16(96)	22(132)	36(216)	10(60)	12(72)
Respondents giving second rank	25(125)	20(100)	23(115)	28(140)	11(55)	13(65)
Respondents giving third rank	27(108)	22(88)	21(84)	25(100)	09(36)	16(64)
Respondents giving fourth rank	23(69)	23(69)	22(66)	21(63)	13(39)	18(54)
Respondents giving fifth rank	24(48)	19(38)	21(42)	22(44)	14(28)	20(40)
Respondents giving sixth rank	18(18)	21(21)	22(22)	20(20)	25(25)	14(14)
TWS	512	412	461	583	243	309
RANKS	**II**	**IV**	**III**	**I**	**VI**	**V**

Note:-

1. The first rank was given a weight of 6, second 5, third 4, fourth 3, fifth 2 and sixth 1.
2. The ranks were given on the basis of Total Weighted Scores (TWS)
3. Figures in brackets shows Weighted Scores (WS)
4. TWS denotes Total Weighted Scores

Table-7 Return expected by investors

Expectation	Respondents	Percentage
Less than 5%	56	46.66
5 – 10 %	48	40.00
10 – 15%	11	09.17
15 – 20%	05	04.17
More than 20%	00	00.00
Total	**120**	**100.00**

Table-8 Risk level

Risk level	Respondents	Percentage
High	11	09.17
Moderate	56	46.66
Low	53	44.17
Total	**120**	**100.00**

Table-9 Withdrawal period

Withdrawal period	Respondents	Percentage
Less than 2 years	52	43.33
2 -5 years	32	26.67
5 – 10 years	23	19.17
More than 10 years	13	10.83
Total	**120**	**100.00**

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PAYMENT AND SETTLEMENT SYSTEM: A STUDY OF INDIAN BANKS

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ABSTRACT

Payment and settlement system of an economy is completely indispensable for the efficient flow of money. It acts as a lubricant to speed up the process of liquidity creation and mobilization of its flow. During past few years, Indian payment and settlement system confronted with the great changes and further development continues to evolve in a myriad of ways. The present system may be classified into two broad categories viz., Systemically Important Payment Systems (SIPS) and Retail Payment Systems (RPS). SIPS include Real Time Gross Settlement (RTGS) and high value clearing. However, high value clearing has been discontinued w.e.f. April 1, 2010. RPS primarily concerns with the use of Magnetic Ink Character Recognition (MICR) clearing, Electronic Clearing Service (ECS), Electronic Fund Transfer (EFT) and National Electronic Fund Transfer (NEFT) and payment through debit and credit cards. The use of these systems revolutionized the entire mechanism of payment and settlement. It was further magnified by the establishment of Structured Financial Messaging System (SFMS). In spite of its numerous benefits to customers and banks (in the form of cost reduction, efficiency improvement, better delivery services, good CRM practices etc.), it lacks expected acceptability. In this context, the present paper attempts to study the performance of these systems on the basis of secondary data collected for the period of eight years from 2003-04 to 2010-11. It also attempts to analyse different issues to provide possible solutions that can be leveraged to further deepen the penetration of the payment system services in the country.

Keywords: *ECS, EFT/NEFT, E-Payment and Settlement, RTGS, SFMS.*

INTRODUCTION

Payment and settlement system of any economy is a pivotal for every kind of trade, commerce or any other business activity. The smoothness of every kind of business operations depends upon well functioning and efficacy of payment and settlement system of a country. It doesn't only act as a lubricant to speed up creation and mobilisation of liquidity flow but also avoid the occurrence of systematic risk in economy. It is a vital catalyst for global financial integration. Sound payment and settlement system enhances foreign investments through providing technically sound mechanism for low cost cross-border payments. In fact it is indispensable for the efficient flow of payments for goods, services and financial assets. In this reference the present paper attempts to highlight various technological developments (RTGS, MICR/OCR, ECS credit, ECS debit, NECS, EFT/NEFT, credit card, debit card and SFMS) which are currently in vogue for payment and settlement in India. It also attempts to analyse different issues and possible solutions that can be leveraged to further deepen the penetration of the payment system services in the country.

REVIEW OF RELATED LITERATURE

Adoption of recent technology is paramount for any commercial house to develop competitive strategies and secure customer's patronage. In this context, banking sector being the forefront of financial sector has initiated great changes to tailoring its services to the needs of its customers. E-banking is the best suited example to this. It made complete overhauling of the banking structure and therefore, has always been a focal point for research in the arena of banking. Recently many researches have been done in the field of e-banking. Most of these researches have been done to proven the rationality and utility of click banking to the banks as well as customer. Like, Ching (2008) discussed that due to the proliferation of internet expansion and the common usage of computers, the electronic delivery of banking service has become ideal for banks to meet customer's expectations. Hollensen (2003) found that e-banking provides immense benefits to customers like provision of useful information, expansion of more choices, downsizing the costs, broader range of services. Lamb et al., (2002) narrated that e-banking has enabled banks to switch over from their productivity oriented delivery channels to customer oriented channels and also tailoring their services to client expectations. Terbalanche (2005) explored that due to the use of technology the old adage 'a customer is a king' has been increasingly fulfilled. Padachiet al., (2007) also stated that use of technology in banking has widen the choice of banks as well as products to the customers and they have been made better-off by the use of technology in several ways.

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However, here it is important to mention here that most of the researches that have taken place considered the broader outlook of e-banking, mobile banking services, ATM banking; TV banking etc. But still there is a little work to discuss the mechanism of e-payment and settlement system. In this reference, the present paper attempts to discuss the different electronic based payment and settlement systems which are currently in vogue.

NEED OF THE STUDY

E-banking has always been a lucrative area for researchers working in the arena of banking. But most of the related work to identify the potential benefits or risk involved in these systems and there is a dearth of work to study the performance of different e-systems independently. In this reference, the present paper attempts to study the performance of different systems individually in India during past few years and tries to explore different issues regarding it.

OBJECTIVES OF THE STUDY

1. To understand the mechanism of current modes of payment and settlement systems.
2. To analyse the performance of different e-based systems through the magnitude of volume and value of various transactions occurred during past few years.
3. To study different issues and challenges confronted by these mechanism.
4. To recommend some measures for securing better penetration to these systems.

RESEARCH METHODOLOGY

DATA COLLECTION AND ANALYSIS

The study is based upon secondary data collected through various reports published by Reserve Bank of India. The study is based upon the data collected for a period of seven years from 2003-04 to 2010-11. The data in terms of transacted volume as well as value has been collected for all eight e-based systems namely RTGS, MICR clearing, Non-MICR clearing, ECS debit, ECS credit, EFT/NEFT, Credit card and Debit Card. The collected data has been presented in form of statistical tables and bar diagrams. The analysis has been done through the growth rate calculated over the study period.

LIMITATIONS

The study is based upon the information provided by the RBI during the span of 2003-2011. The present paper studies only eight e-based payment and settlement system and does not consider those systems which are currently out of operation. Further the paper studies the transacted volume and value only for a period of seven years from 2003-04 to 2010-11.

RESULTS AND DISCUSSION

PAYMENT AND SETTLEMENT SYSTEM IN INDIA

Payment and settlement system in India is rooted with the application of usage based models of funds settlement. Earlier most of settlements take place in the form of 'Hundis'. But since then great changes have occurred in the system and further development continues to evolve in a myriad of ways. In the present era of globalisation, there is a great requirement for making huge payments over vast geographic distances in different currencies. Growing requirements of modern economy has further magnified the resonance to establish an advanced payment and settlement system that could satisfy divergent needs of users. Recognising the immense importance of efficient payment and settlement system, many reforms have been initiated by regulating authorities in traditional paper based payment system. Particularly last two decades witnessed application of hi-tech system modules in banking sector. Some prominent development in this context could be pointed out as follows:

1995: Evolution of Electronic Clearing Service (ECS) and Electronic Funds Transfer (EFT) system

2004: Evolution of Real Time Gross Settlement (RTGS)

2005: Conversion of EFT into National EFT (NEFT)

2007: Enactment of Payment and Settlement Act

2008: Formulation of Payment and Settlement Systems Regulations

The present system may be classified into two broad categories viz., Systemically Important Payment Systems (SIPS) and Retail Payment Systems (RPS). SIPS include RTGS and high value clearing. However, high value clearing has been discontinued w.e.f. April 1, 2010. RPS primarily concerns with the use of Magnetic Ink Character Recognition (MICR) clearing, ECS, EFT and NEFT. The use of these systems revolutionized the entire mechanism of payment and settlement. It was further magnified by the establishment of Structured Financial Messaging System (SFMS). The introduction of electronic based mechanism to make payment and settlement of transactions led to downsizing the manpower requirement, reduced transaction costs and lesser paper work. Due to being more convenient, effective and efficient tool for payment, the proportion of e-based transactions to paper based transactions has recorded a significant growth not only in terms of value but also volume of transactions. The increasing popularity of e- system over paper based system may be gauged from figure 1(a) and figure 1(b).

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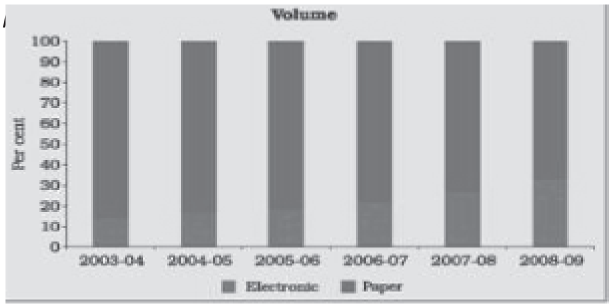
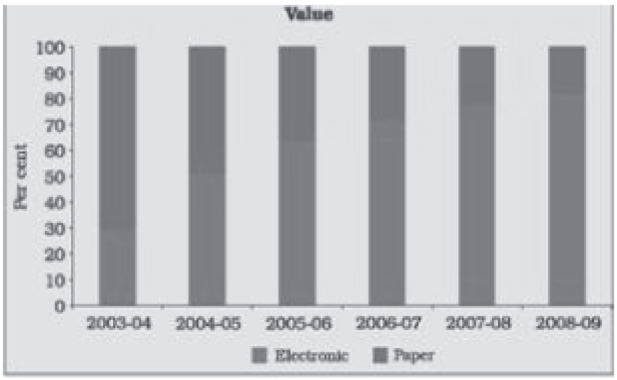


Source: RBI



Source: RBI

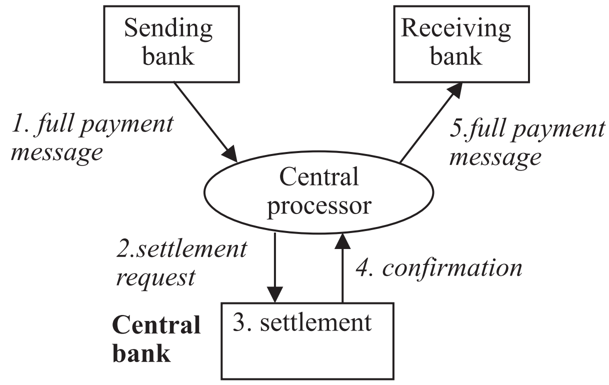
As depicted from the above figures, the share of e-transactions is growing at a rapid pace particularly for high value transactions. However for the low value transactions, growth rate is not much satisfactory and users still prefer paper based mechanism for settling low value transactions.

The following section discusses the performance of current e-systems (RTGS, MICR/OCR, ECS credit, ECS debit, NECS, EFT/NEFT, card based payment system and SFMS).

REAL TIME GROSS SETTLEMENT (RTGS)

RTGS is a system to avoid risk involved in transferring large value funds from one bank to another. The system was being introduced by the Central Banks of European Union and later different other economies also signified their acceptance thereto. In India RTGS system was being implemented by Reserve Bank of India (RBI) as on 26th March 2004 at par with world's best practices (on pilot basis by involving four banks). RTGS system is an electronic system to transfer large value funds without netting debits against credits. Unlike designated (deferred) time settlement system, where settlement occurs at one or more discrete times, it processes final settlement on a continuous basis during the processing day. Therefore it provides a good mechanism to reduce liquidity and credit risks. Further funds are transferred under RTGS electronically and therefore it serves a mechanism to mitigate systematic risk. RTGS system provides basis to delivery-versus-payment or payment-versus-payment mechanism. Under the system of RTGS a sender bank has to issue payment message which is to be routed through central bank (RBI) and receiver bank. Though the flow of message may take any form ranging from V shape, Y shape, L shape to T shape, RBI decided to use Y shaped message flow structure in India (figure 2).

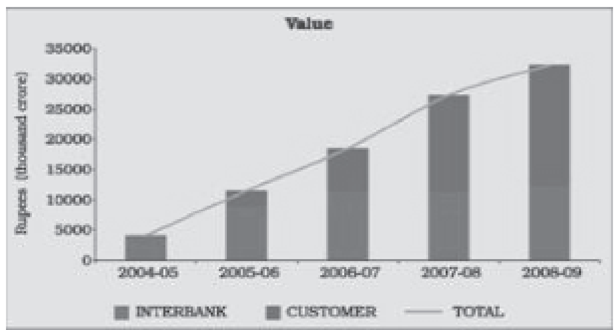
Figure 2: RTGS Message Flow Structure in India



Source: http://riskinstitute.ch/139040.htm

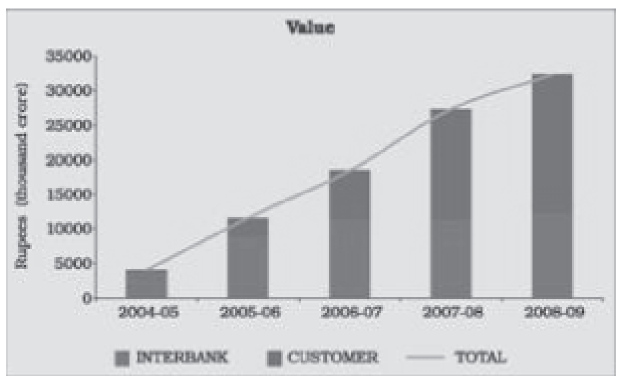
RTGS system processes only those inter-bank or customer's transactions which carry a value of one lakh or more. Recently an impressive growth is being observed in the volume as well as value of transactions operated by RTGS system. The proportion of interbank and customer's transactions during last five years may be observed through figure 3(a) and figure 3(b).

Figure 3 (a): Proportion of value transacted by banks and customers



Source: RBI

Figure 3 (b): Proportion of volume transacted by banks and customers



Source: RBI

As shown from the above figures, trade volume and value of different transactions are continuously growing during last few years. Particularly resent years 2007-08 and 2008-09 have shown a sharp rise in both of the same. Further with the discontinuance of high value clearing system, it is further expected to be rise exponentially.

MICR/ OCR CLEARING:

Under Magnetic Ink Character Recognition system, cheques are printed on a specific type of paper and carry 6 digital cheque numbers, 9 digital centre codes, 2 digital transaction codes and 13 digital amount of transaction. The first three codes are usually self-printed and customer is required to fill only amount. To implement MICR technology, banks are required to install encoder and cheque reader-cum-sorter. The technique aims at providing speedier cheque clearance. MICR automates the clearing house operations. In this context a new technique has also been introduced which is known as Optic Character Recognition (OCR) System. OCR is more advanced than MICR. It automatically picks-up the images from cheque and hence eliminates the manual process of encoding cheques. The use of MICR clearing system has shown a good response from its users. The value and volume of cheques cleared through MICR technology may be studied from the table 1. The figures shown in parenthesis represents volume of cheques cleared in thousands whereas the outer figure shows transacted value in crores.

Table 1: Value (in crores) and Volume (in millions) cleared through MICR and Non-MICR system

Year	MICR Clearing			Non-MICR Clearing		
	Volume (Million)	Value (Crores)	Growth Rate (for transacted value)	Volume (Million)	Value (Crores)	Growth Rate (for transacted value)
2003-04	609.79	31,08,795	-	398.70	24,17,209	-
2004-05	927.57	37,57,608	20.87%	225.39	11,02,643	-54.38%
2005-06	1015.9	44,92,943	19.57%	254.92	18,54,763	68.21%
2006-07	1125.4	54,01,429	20.22%	223.18	16,06,990	-13.36%
2007-08	1201.0	60,28,672	11.61%	237.6	18,67,376	16.20%
2008-09	1140.5	58,49,642	-2.97%	233.6	20,60,893	10.36%
2009-10	1,144.2	66,69,957	14.02%	230.6	18,78,425	-8.85%
2010-11	1,155.1	83,01,218	24.46%	232.3	18,32,909	-2.42%

Source: RBI Annual Report (Various Issues)

As shown from the table 1, with the development of MICR technology of clearance, except the year 2008-09, there is a sustained growth in the transacted value cleared through MICR in comparison to the value transacted in corresponding previous year. The convenience and speedy clearance through MICR has also resulted into slowing down the pace of clearance through non-MICR mode of clearance.

ELECTRONIC CLEARING SERVICES (ECS):

ECS system is primarily a retail payment system, facilitating bulk receipts and payments like making utility payments, payment of wages and salaries to employees, payment of dividend/ warrants to different investors, etc. The system has two components viz., ECS (credit)-facilitating bulk payments and ECS (debit)-facilitating payments by different individuals/ organisations to a single receiver. ECS system ensures the settlement of transactions on T+0 bases and the cycle gets completed on T+1 basis. It is a very efficient mechanism to avoid the risk of fraudulent encashment or loss of certificate. It reduces administrative cost and makes automated reconciliation by the time of completion of ECS cycle.

In addition to above, one more facility is provided by ECS system which is known as National Electronic Clearing Service (NECS). This facility is centralised one and is available at RBI Mumbai Office. This service provides the facility of multiple debit/ credit from/to customer at destination branch across the country against a single corresponding credit/ debit of user's account with sponsor bank from a single central location at Mumbai. The change in the use of fund transfer through ECS may be observed from the following table 2.

Table 1: Value (in crores) and Volume (in millions) cleared through MICR and Non-MICR system

Year	ECS/NECS Credit			ECS Debit		
	Volume (Million)	Value (Crores)	Growth Rate (for transacted value)	Volume (Million)	Value (Crores)	Growth Rate (for transacted value)
2003-04	20.3	10,228		7.90	2,254	
2004-05	40.05	20,180	97.30%	15.3	2,921	29.59%
2005-06	44.2	32,324	60.18%	36.0	12,986	344.57%
2006-07	69.0	83,273	157.62%	75.2	25,441	95.91%
2007-08	78.4	7,82,222	839.35%	127.1	48,937	92.35%
2008-09	88.4	97,487	-87.54%	160.1	66,976	36.86%
2009-10	98.1	1,17,613	20.64%	149.3	69,524	3.80%
2010-11	117.3	1,81,686	54.48%	156.7	73,646	5.93%

Source: RBI Annual Reports (Various Issues)

As shown from the chart there is a rapid rise in the volume as well as value of transactions paid and settled through different electronic system with an exception to the transacted value in 2008-09 using ECS/NECS system. But even in that case it maintains a growth rate of 12.8% from its previous year. Here it is important to mention that the sharp growth in 2007-08 was due to the transactions for refunds of oversubscribed IPOs floated by various companies as mandated by the Stock Exchange.

ELECTRONIC FUND TRANSFER (EFT) AND NATIONAL ELECTRONIC FUND TRANSFER (NEFT)

EFT and NEFT are the prime drivers for retail electronic transfer system. EFT service enables customers to transfer his funds from one account of any bank branch to any other EFT facilitated bank branch. EFT enables the transfer of funds within one day from the receipt of request for such transfer. It is an inter-bank oriented system. The system not only overcomes the limitations of traditional system transfer which took place through demand draft/ mail transfer/ telegraphic transfer but also converts T+10 days cycle to usually T+1. Further it enables customers to remit funds to the beneficiary irrespective of his bank affiliation. It reduces the transaction cost and doesn't call for any additional organisational infrastructure with the participating banks also.

In November 2005, EFT system was replaced by National Electronic Fund Transfer (NEFT), which is an electronic message based system. NEFT uses Public Key Infrastructure technology to ensure security and uses INFINET to get connectivity of different branches. The volume and value of different transactions that have taken place through EFT/NEFT last few years may be summarised through table 3.

Table 3: Volume and Value transacted through EFT/NEFT

Year	Volume (Million)	Value (Crores)	Growth Rate (for transacted value)
2003-04	.82	17,125	
2004-05	2.5	54,601	218.84%
2005-06	3.1	61,288	12.25%
2006-07	4.8	77,446	26.36%
2007-08	13.3	1,40,326	81.19%
2008-09	32.1	2,51,956	79.55%
2009-10	66.3	4,09,507	62.53%
2010-11	132.3	9,39,149	129.34%

Source: RBI Annual Reports (Various Issues)

As shown from the above table, the volume transacted through EFT/NEFT system has shown a sharp rise in 2007-08 and 2008-09. Further while comparing EFT/NEFT with RTGS, the growth trend of two systems reveals that transacted amount processed in NEFT has increased exponentially since 2007-08, while RTGS has exhibited a relatively steady growth.

CARD BASED PAYMENTS

Card based payments include payment made by credit card as well as debit cards. Credit card offers free credit to its user and is very popular. But it bears risk and thus it is an expensive payment mode. Debit card is another alternative to cash. This mode of payment offers no credit to its user (as one can use only his own money) but it carries no or minimal risk. That is the reason why, it has become user's choice. However, Das and Agarwal (2010) have pointed out that though the number of debit cards is currently 10 times higher than the credit cards, the average number of transactions per debit card is 10 times less.

These cards based payments are frequently used via Automated Teller Machines (ATMs), Points of Sale (POS), e-commerce, m-commerce, Interactive Voice Response (IVR), etc. Among these delivery channels the use of ATM is more popular. Further with the normalisation of ATM access by the RBI, its use has become easier and cheaper access for banked customers across all bank ATMs. The acceptance of card based payment for Internet transactions has proven to be a potential source for providing a tipping point for ecommerce transactions. Further the establishment of POS machines for cash withdrawals has already became a reality now and is coming in vogue very rapidly. Table 4 provides the summary of payments made by the use of cards during last few years.

Table 4: Volume and Value transacted through Credit and Debit Cards

Year	Credit card			Debit Card		
	Volume	Value	Growth Rate (for transacted value)	Volume	Value	Growth Rate (for transacted value)
2003-04	100.18	17,663		37.757	4,874	
2004-05	129.47	25,686	45.42%	41.532	5,361	9.99%
2005-06	156.1	33,886	31.92%	45.7	5,897	10.00%
2006-07	169.5	41,361	22.06%	60.2	8,172	38.58%
2007-08	228.2	57,985	40.19%	88.3	12,521	53.22%
2008-09	259.6	65,356	12.71%	127.7	18,547	48.13%
2009-10	234.2	61,824	-5.40%	170.2	26,418	42.44%
2010-11	265.1	75,516	22.15%	237.1	35,705	35.15%

Source: RBI Annual Reports (Various Issues)

As shown from the above table the volume as well as value of transactions done by credit card as well as debit cards are increasing manifold. During last six years the transacted value has been sharply increased from 39783 crores in 2005-06 to almost triple in 2010-11 and the same trend is expected in the years to come. Further to ensure more securities in card based payments, online alert scheme has been introduced w.e.f. July 2011. The benefits of this scheme may be availed irrespective of amount and the type of delivery channels.

STRUCTURED FINANCIAL MESSAGING SYSTEM (SFMS):

In February 2001, Institute for Development and Research in Banking Technology (IDRBT) and Tata Consultancy Services (TCS) deployed a Secured Multi-tiered Financial Messaging Solution for the Indian Banking and Financial Sector to send financial and non-financial messages across the Indian Financial Network (INFINET) in a secure environment. In November 2001, SFMS system was being introduced by RBI to facilitate more security in electronic transactions. SFMS is an electronic data interchange system to exchange structured messages in strict confidence. It uses X.509 digital signature for access control and authentication. It has wide range of applications such as simple messaging, EFT, RTGS, ECS, Electronic Debit, online trading in Government securities etc. SFMS is an effective tool to generate SWIFT messages at remote branches and relay the same to SWIFT Gateway of bank for onward transmission.

ISSUES IN E-PAYMENT AND SETTLEMENT SYSTEM

Electronic Payment and Settlement system made financial transactions more transparent through channelizing cash into the banking system. Application of technology in payment and settlement system has bought remarkable growth in volume as well as value transacted through the system. Several researches have already proven the benefits of IT applications in banking in form of minimisaion of risk and extended access even to remote areas at no loss of time. It is an effective tool for downsizing the cost of operations through cheaper transaction costs, lesser paper work, less requirement of man-power and physical branches (Cheng et al., 2006). But in spite of numerous benefits, the transacted volume and value facilitated by e-systems is not as per expectations particularly for retail payments. In 2004-05, electronic clearing through retail system accounted for less than 1.5% of total value of transactions. Further IT applications in banking exposed the sector to different risks like security risk, legal risks, strategic risk etc. Lockett and Littler (1997) also identified risk as a very crucial aspect of electronic banking. Singh (2009) pointed out that e-payment system suffered from many limitations like security, merchant risk, high costs and affordability. Basel Committee on Banking Supervision (2003) also discussed the possibility of occurrence of unavoidable event like damage of bank's physical, telecommunication, or information technology infrastructures. Another major issue in this context is related to non-availability of system. Jeevan (2000) stressed that there is a challenge for the banks to offer an efficient payment backbone system that will be open enough to support multiple payment instruments and scalable enough to allow for a stable service regardless of the workload. As per an estimate though around 70% of bank branches have attained 100% computerization yet 23,500 branches have facility of RTGS and NEFT covers fewer than 5,000 Braches.

SUGGESTION

Indian E-Payment and Settlement system is vibrant enough but still it requires to be further fine-tuned with changing requirements. In fact a deliberate policy is essential to satisfy growing and dynamic needs of the users. Basel Committee on Banking Supervision (2003) suggested that banks should go for establishment of disaster recovery and business continuity plans with due consideration of different plausible scenarios to which they may be vulnerable. In addition to this, existing websites must be tuned with adequate applications, simple interfaces and local content to widen the reach of these systems. Further adequate knowledge should be imparted to participants to minimize risks. Sharma (2011) also pointed out the need to educate customers regarding benefits and precautionary measures of e-systems. Improvement in the mechanism of present retail payment systems is also required to be ensured for making it more reliable and efficient. In order to mitigate risks involved in different e-systems, a clear strategy should be prepared and driven from the top. In addition to this innovative, modern and well-planned security checks are imperative to be introduced so as to secure the trust of banks and customers. This modernization further calls for a need to establish a strong robust telecommunication network so as to enable smooth-functioning of e-system. Therefore, financial institutions must recognize the dire necessity of implementing advanced and upgraded technology in e-systems. Further various recommendations of BPSS should also be seriously analysed and implemented.

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ROLE OF AUDITING IN INDIAN PUBLIC SECTOR UNDERTAKINGS

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ABSTRACT

There has been a tremendous growth of public enterprises in India. They were established to attain the 'commanding heights' of the economy of the country and achieve rapid growth of industrialization and economic development. They have been assigned a key role in socio-economic development of the country. It is, therefore, of vital importance that public enterprises should operate efficiency. For this it is essential that an agency independent of and external to public enterprises and commanding the faith and confidence of parliament reports on their performance. The study analyses and evaluates in some detail the audit of public enterprises conducted by the CAG in India.

Key Words: *PSUs, CAG, Audit, Statutory Auditor*

INTRODUCTION

Public sector undertakings have been set up to achieve higher economic growth, to develop infrastructure, to augment goods and services in short supply and to maintain low and stable prices. While there were only 5 Central Public Sector undertakings with a total investment of 29 crore on the eve of the First Five Year Plan, there were 249 PSUs (excluding 7 Insurance Companies) as on 31st March, 2010 with a total investment of ` 579920 crore. A large number of PSUs have been set up as Greenfield projects consequent to the initiatives taken during the various Five Year Plans. PSUs, such as National Textile Corporation, Bridge & Roof Co. (India) Ltd, Burn Standard Company Ltd., Tyre Corporation of India Ltd and Hooghly Dock and Port Engineers Ltd have, however, been taken over from the private sector on their falling sick. Companies, such as, Indian Petrochemicals Corporation Ltd., Modern Food Industries Ltd., Hindustan Zinc Ltd., Bharat Aluminum Company, Maruti Udyog Ltd., on the other hand, which were earlier CPSEs, ceased to be so after their 'privatization'. Along with other public sector majors, such as, State Bank of India in the banking sector, Life Insurance Corporation in the insurance sector, Indian Railways in transportation, the CPSEs are the leading companies of India with significant market-shares in sectors such as petroleum products, (e.g. ONGC, GAIL and Indian Oil Corporation), mining (e.g. Coal India Ltd. and NMDC), power generation (e.g. NTPC and NHPC), power transmission (e.g., Power Grid Corporation Ltd.), nuclear energy (e.g. Nuclear Power Corporation of India Ltd.), heavy engineering (e.g. BHEL), aviation industry (e.g. Hindustan Aeronautics Ltd. and NACIL), storage and public distribution system (e.g. Food Corporation of India and Central Warehousing Corporation), shipping and trading (e.g. Shipping Corporation of India Ltd, and State Trading Corporation Ltd.) and telecommunication (e.g. BSNL and MTNL).

With economic liberalization post-1991, sectors that were exclusive preserve of the public sector enterprises were opened to the private sector. The PSUs, therefore, are faced with competition from both the domestic private sector companies (some of which have grown very fast) and the large multinational corporations (MNCs). The monopoly market conditions have given way to 'oligopoly' and 'competitive market' conditions and there is intense competition in the market. The market share of CPSEs in industries, such as, telecom, oil refinery, coal, power, steel and transportation has declined over the years.

Growth of PSUs

PSUs were established to attain the commending heights of the economy of the country and achieve rapid growth of industrialization and economic development. The growth of UPUs in India is being discussed on the basis of certain parameters for the sake of convenience. The growth may be seen from the following table:

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Table : Macro View Of Performance Of Central Public Sector Undertakings

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
No. of operating Enterprises	234	231	226	230	227	226	217	214	213	217
Capital employed	331372	389934	417160	452336	504407	585484	661338	724009	792232	908842
Turn over	458237	478731	572833	630704	744307	837295	964890	1096308	1271529	1235060
Total Income	479838	498315	548912	613706	734944	829873	970356	1102772	1309639	1264523
Net Worth	171406	225472	241846	291828	341595	397275	454134	518485	583144	653801
Profit before dep, Int, tax & EP (PBDITEP)	69287	89550	101691	127320	142554	150262	177990	195049	186836	211011
Depreciation	20520	26360	28247	31251	33147	34848	33141	36668	36780	41595
DRE/Prel. Exps. Written Off	-	-	905	1025	986	992	5841	5802	7661	9570
Profit before int., tax & EP (PBITEP)	48767	63190	72539	95039	108420	114422	139008	152579	142395	159846
Interest	23800	24957	23921	23835	22869	23708	27481	32126	39300	35720
Profit before Tax & EP (PBTEP)	24967	38233	48618	71144	85550	90714	111527	120453	103095	124126
Tax provisions	9314	12255	17499	22134	21662	24370	34352	40749	33828	40007
Net Profit before EP	-	-	31119	49010	63889	66344	77175	79704	69267	84119
Net Extra Ordi. Items & Prior Period AdJ.	-	-1225	-3933	-1075	-3192	-3880	-	1570	-14600	-8474
Profit of profit making CPSEs	28494	36432	43316	61606	74432	76382	89581	91577	98488	108435
Loss of loss incurring CPSEs	12841	10454	10972	8522	9003	6845	8526	10303	14621	15842
Profit making CPSEs (No.)	123	120	119	139	143	160	154	160	158	158
Loss Incurring CPSEs (No.)	110	109	105	89	73	63	61	54	55	59
CPSEs Making no profit/loss	1	2	2	2	-	1	1	-	-	-
Operating CPSEs not furnished information (No.)	-	-	-	-	-	2	1	-	-	-
Dividend	8260	8068	13769	15288	20718	22886	26819	28123	25501	33223
Dividend tax	842	8	1193	1961	2852	3215	4107	4722	4132	5151
Retained profit	6551	17902	17382	35835	41394	43435	50129	48429	54233	54220

Source: GOI, Public Enterprise Survey, 2009-10

The overall turnover of all the PSUs has decreased by 2.87 per cent. The decline in turnover was mainly on account of reduction in sale of refined petroleum (Rs 74,150 crore), steel (Rs 4,536 crore), fertilizer (Rs 2,516 crore) and telecom sectors (Rs 1,495 crore). The aggregate turnover of PSUs declined from Rs 1271529 crore in 2008-09 to Rs 1235060 crore in 2009-10 or by Rs 36469 crore. There were however, some industries, which showed increase in turnover during this period, such as, coal, heavy engineering, transportation, power generation, trading & marketing and consumer goods. Profits & losses of the different PSUs did not necessarily correspond to increase or decrease in turnover, as several factors came into play like however higher input costs, lower/higher prices, of goods and services increase in wages and salaries and exchange rate fluctuations etc. The overall profit of all PSUs stood at Rs 92593 crore during 2009-10. The dividend declared by the profit making PSUs stood at Rs 33223 crore. The PSUs earned foreign exchange equal Rs 77745 crore during the year as compared to Rs 74206 crore in 2008-09.

Audit of Public Sector Undertakings

In India, PSUs audit is performed by an independent constitutional authority, i.e. Comptroller and Audit General of India, through the Indian Audit and Accounts Department. The Constitution of India gives a special status to the C&AG and contains provisions to safeguard his independence. Under Section 619 of the Companies Act, 1956, the auditor (statutory auditor) of a government company including deemed Government Company, appointed by the CAG conducts the audit of accounts of the companies. On the basis of supplementary audit conducted thereafter, the CAG issues comments upon or supplements the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be given to the Parliament. There Reports generally form the basis of the Committee' working, although they are not precluded from examining issues not brought out in their Reports. He scrutinizes the notes which the Ministries submit to the Committees and helps the Committee to check the correctness submit to the Committees and helps and Committees to check the correctness of facts and figures in their draft reports.

The Financial Committees present their Report to the Parliament/State Legislature with their observations and recommendation. The various Minister / Department of the Government are required to inform the Committees of the action taken by theme on the recommendations of the Committees (which are generally accepted) and the Committees present Action Taken Reports to Parliament/Legislative.

In respect of those cases in Audit Reports which could not be discussed in detail by the Committees, written answers are obtained from the Department / Ministry concerned and are sometimes incorporated in the Reports presented to the Parliament / State Legislature. This ensures that the audit Reports are not taken lightly by the Government, even if the entire report is not deliberated upon by the Committee.

Role of CAG

The Comptroller & Auditor General of India plays a crucial role in the functioning of the financial committees of Parliament and the State Legislature. Article 148 of the constitutions provides that the C&AG shall be appointed by the President of India and can be removed from the office only in a like manner and on the like grounds as a judge of the Supreme Court. Thus the C&AG can be removed only on the ground of proven misbehaviors or incapacity and only through an order of the President's after each house of Parliament has recommended the removal by the required majority. The salary and other conditions of service of the C&AG are determined by the Parliament. Article 151 of the Constitution requires that the audit reports of the C&AG relating to the accounts of the Central/State Government should be submitted to the Presidents/Governor of the State who shall cause them to be laid before Parliament/State Legislative. The comptroller and audit general's (Duties, Power and Conditions of Services) Act, 1971, prescribes that the C&AG shall hold office for a term of six years or up to the age of 65 years, which is earlier. He can resign at any time through a resignation letter addressed to the President. The Act also assigns the duties regarding the audit to be followed by C&AG. The organizations subject to the audit of the Comptroller and Auditor General of India are:

- All the Union and State Government departments and offices including the Indian Railways and Posts and Telecommunications.
- About 1200 public commercial enterprises controlled by the Union and State governments, i.e. government companies and corporations.
- Around 400 non-commercial autonomous bodies and authorities owned or controlled by the Union or the States.
- Over 4400 authorities and bodies substantially financed from Union or State revenues.

Public Accounts Committee

The Parliament and State Legislative have constituted specialized committee like the Public Accounts Committee. The duty of the PAC is to examine the statement of accounts of autonomous and semi-autonomous bodies, the audit of which is conducted by the Comptroller & Auditor General either under the directions of the President or by a Statute of Parliament.

The Public Accounts Committee satisfies itself:

- That the moneys (shown in the accounts) were disbursed legally on the service or purpose to which they were applied.
- That the expenditure was authorized.
- That re-appropriation (i.e. distribution of funds)

Committee on Public Undertakings

The Committee on Public Undertakings exercises the same financial control on the public sector undertakings as the PAC exercises over the functioning of the Government Departments. The examination of public enterprises by the Committee takes the form of comprehensive appraisal or evaluation of performance of the undertaking. It involves a thorough examination, including evaluation of the policies, programmes and financial working of the undertaking. The functions of the Committee are –

- To examine the reports and accounts of public undertakings.
- To examine the reports of the Comptroller & Auditor General on public undertakings.
- To examine the efficiency of public undertakings and to see whether they are being managed in accordance with sound business principles and prudent commercial practices.

The objective of the Financial Committees, in doing so, is not to focus only on the individual irregularity, but on the defects in the system which led to such irregularity and the need for correction of such systems and procedures.

Appointment of statutory auditor

Statutory auditors for government companies including deemed government companies are appointed by the CAG in exercise of the powers conferred under Section 619(2) of the Companies Act, 1956 as amended vide Companies (Amendment) Act, 2000. For this purpose a panel of firms of Chartered Accountants is maintained by the CAG by inviting applications every year from the eligible firms of Chartered Accountants. The panel so formed is used for selection of statutory auditors of Public Enterprises for the ensuing financial year. The statutory auditors are appointed annually on regular basis. Selection of the statutory auditors for appointment is made by correlating the point score earned by each firm of Chartered Accountants that applies for empanelment with the size of the audit assignment. The point score is based upon the experience of the firm, number of partners and their association with the firm, number of Chartered Accountant employees, etc., for assessing that the antecedents of the firm are well established and the firm has capacity to handle the allotted audits. This system ensures that allotment of audit to Chartered Accountants firms is done objectively based on merit and competence.

Conclusion

The audit committee can greatly strengthen the independence, integrity, and effectiveness of government audit activities by providing independent oversight of the internal and external audit work plans and results, assessing audit resource needs, and mediating the auditors' relationship with the organization. Audit committees also ensure that audit results are aired and any recommended improvements or corrective actions are addressed or resolved. An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their government accountable. Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity, and appropriate behavior of government officials, while reducing the risk of public corruption. Therefore, it is crucial that government audit activities are configured appropriately and have a broad mandate to achieve these objectives. The audit activity must be empowered to act with integrity and produce reliable services, although the specific means by which auditors achieve these goals vary

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FINANCIAL PERFORMANCE OF INDIAN BANKS IN POST LIBERALISATION ERA: A CASE STUDY OF STATE BANK OF INDIA AND ICICI BANK

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ABSTRACT

The Indian financial sector has undergone a significant structural transformation since the initiation of the financial liberalization in 1990's. It bought significant changes in the Indian economy in general and financial sector in particular. Against this backdrop, the present work intends to analyses the financial performance of the Indian banking sector after the initiation of financial liberalizationa and also aims to measure comparative performance of public and private sector banks in post reform period. The Indian bank management, today is facing two - sided challenge in order to improve their profitability & productivity, and to serve the public in new ways with greater efficiency and effectiveness. Commercial viability of banking can seldom be ignored. The present study will be of immense help to researchers developing deeper and new insights into the overall performance of the banking in India. The study focuses on the development, operations, performance and profitability, of banking industry. For the analysis of the financial performance of commercial banks CAMEL Model is used. The samples are selected from public sector and private sector namely SBI and from private ICICI Bank Pvt. Ltd. respectively.

Key Words: *liberalization, financial performance, Commercial Banks, CAMEL Model.*

INTRODUCTION

The banking sector is an important component of the growth equation in any economy. Time and history has shown that a weak banking sector has led to collapse of entire economy. Banks play a positive role in development of a country as repositories of community's savings and purveyors of credit. Indian Banking has aided the economic development during the last sixty years (1949-2010) in an effective ways. The banking sector has shown remarkable responsiveness to the needs of planned economy. It has brought about a considerable progress in its efforts at deposit mobilization and has taken a number of measures in the recent past in accelerating the rate of growth of deposits. As recourse of this, the commercial banks have opened a number of branches in urban semi-urban and rural areas. Banks have introduced a number of accelerative schemes to foster economic development

OBJECTIVE OF THE PRESENT RESEARCH:

The objectives of the present research are:-

1. To study the financial performance of public and private sector bank in Post Liberalization era.

2. To study the financial performance of SBI & ICICI Bank using CAMEL model

SAMPLE SELECTION:

The sample selection for the research work consist of one public sector bank namely State Bank of India and one the private sector bank i.e. Industrial Credit and Investment Corporation bank. The research work involves purposive sampling. The purposes of selecting these banks were that they are the top bank with regard to investment advances, deposits and assets.

ANALYSIS OF DATA

The analysis of the secondary data in done by the application of CAMEL model

PERIOD OF RESEARCH:

Since the study in related to the banking sector to the post liberalization period, the present research work relate to the financial performance to public and the private sector bank for the period of 2000 to 2010.

TYPES OF RESEARCH

The research work is analytical in nature as for it is based on primary and secondary data.

ANALYSIS AND RESULT

Enhancing efficiency and performance of Public sector banks (PSBs) is a key objective of economic reforms in many countries including India. It is believed that private ownership helps improve efficiency and performance. Accordingly, the Indian government started diluting its

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equity in PSBs from early 1990s in a phased manner. It has to he analyzed whether the partial privatization of Indian banks had really helped them in improving their efficiency and performance. The present research seeks to asses the financial performance of the public and private sector Banks operating in India in post liberalization era. The Indian banking sector has been dominated by public sector bank to the in number of branches and assets. The Indian banking sector (comprise of 28 public sector bank with majority of government owner banks, 23 banks operating in private sector and 27 foreign banks. It is observed that the public sector bank has remained unchanged in terms of number over the last decades in terms of number over the last decades. In the era of liberalization where the Indian Banks are trying to compete with global banks, it is the need of the hour to study the efficiency and their performance in the post liberalization period. It is in this context that the present research has been undertaken. The public sector bank constitutes about 27% of the total commercial banking assets. It is glaring to note that the assets share of public banks have decline from 90% in 1980 to 68% in 2007".

Though the number of domestic private banks had decline since 1980, but the assets of these banks have gone up to 20% in 2007. The total banking assets constitute more than 92% of GDP at the end of March 2008, and the commercial banking assets constitute more than 95% of total banking assets. Even thought he number of foreign banks have gone up significantly the assets share had not increased correspondingly. "The total assets of public sector bank in 1980 were Rs. 1649.56 billion, which increased to Rs. 5638.22 billion in 2000 and further to 12,206.56 billion in 2007. During the financial reform the total assets of banking sector had recorded higher growth, and since 1999 the total assets of the banking sector has gone significantly. The total commercial banking assets in 1999 was Rs. 6531.37 billion was increased to Rs. 17854.76 billion". In case of private sector bank the "total assets was Rs. 90.26 billion which increased to Rs. 686.30 billion in 1993 and further to Rs. 3728.88 billion in 2007".

Overall Ranking:

The CAMEL model is used for rating of banks according their performance. Hence, An attempt has been made to rank the two banks under consideration, the reveals that, on the whole, ICICI bank has fared than it's public sector competitors SBI and ICICI Bank according. From the above analysis, it is obvious that both SBI and ICICI are performing ungallantly since the beginning of the 21st century. In the respect of some of the parameters in which SBI has outperformed ICICI bank are government securities to total investment, spread to Total Assets, Interest to total Assets, G-Secs to total assets etc. In contrast, ICICI has done better than SBI in regard to the advances to Assets, Total Advances to Deposits, Business per Employee; Profit per Employee, Non-Interest income to total income, liquid assets to Total Deposits etc. On the whole, ICICI bank has performed better than SBI.

Table: Ranking of SBI and ICICI Bank According to average of CAMEL Model Ratios for the Period 2000-01 to 2008-09

	CAMEL Ratio	**Bank**	
		SBI	**ICICI Bank**
C: Capital Adequacy	Capital Adequacy Ratio	✓	
	Debt Equity Ratio		✓
	Advances to Assets		✓
	G-Security to total Investment	✓	
A: Assets Quality	Gross NPAs to Net Advances		✓
	Net NPAs to Net Advances		✓
	Total Investments to Total Assets		✓
	Net NPAs to Total Assets		✓
M: Management Efficiency	Total Advances to Total Deposits		✓
	Business per Employees		✓
	Profit per Employees		✓
	Profit per Employee		✓
E: Earning Quality	Operating profit to average working funds		✓
	Spread to Total Assets	✓	
	Net Profit to Average of Assets		✓
	Interest Income to Total Income	✓	
	Non interest Income to total income		✓
C: Liquidity	Liquid Assets to Total Assets	✓	
	G-Securities to Total Assets	✓	
	Liquid Assets to Demand Deposits		✓
	Liquid Assets to total Deposits		✓

Note: ✓ indicate the superiority of a bank over the other bank in terms of the concerning ratios.

CONCLUSION

On the analysis of SBI and ICICI Bank financial performance through the CAMEL Model the various rations relating to capital, Assets, liabilities, management efficiency, and earning capacity were analyzed since the both bank it has shown remarkable progress in post liberalization era with respect to deposit advance, banks, profits but still one of the aspect were ICICI Bank has logged in performance is the ability to raise their funds in lower cost even though the interest income were increased. The overall finding in post liberalization era with respect to the Indian banking sector with regard to the efficiency and technological have shown remarkable growth with more deregulation in the banking sector the commercial bank would need to device the imagination ways to increase the income in order to garner more profits. The reporting accounting standard and improvement of accounting standard and disclosed practice would enhance for transparency in financial market.

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AN ANALYTICAL STUDY OF SERVICE QUALITY IN PRIVATE BANKS WITH SPECIAL REFERENCE TO MORADABAD REGION

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ABSTRACT

To enhance reputation and gain customer loyalty, a study of the performance of the banks is done to see if the perception of service quality has an effect on the banks. With the increasing competition amongst banks, the findings can act as a strategic tool to achieve competitive advantage and customer satisfaction. It is also an eye-opener for the banks to see the gap between customer expectation and perception regarding the quality of services rendered which should further act as a motivation which results, increases reputation and to achieve customer loyalty. The present study is an attempt in the direction, where quality perceptions of the four leading banks have been compared to reach at logical conclusions.

Key Words: *customer loyalty, service quality, banks, perception, competition.*

INTRODUCTION

Private Banks dealing in retail banking Industry is consequently put into lot of pressures due towards increase in global competition. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Typically, customers perceive very little difference in the banking products offered by private banks dealing in services as any new offering is quickly matched by competitors. Parasuraman et. Al (1985) and Zeithaml et., al (1990) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. The quality of services offered will determine customer satisfaction and attitudinal loyalty.

About private retail banking in India

Initially all the banks in India were private banks, which were founded in the pre-independence era to cater to the banking needs of the people. In 1921, three major banks i.e. Banks of Bengal, Bank of Bombay, and Bank of Madras, merged to form Imperial Bank of India. In 1935, the Reserve Bank of India (RBI) was established and it took over the central banking responsibilities from the Imperial Bank of India, transferring commercial banking functions completely to IBI. In 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India (SBI). In 1994, the Reserve Bank of India issued a policy of liberalization to license limited number of private banks, which came to be known as New Generation. Tech-savvy banks. Global Trust Bank was, thus, the first private bank after liberalization; it was later amalgamated with Oriental Bank of Commerce (OBC) At present, Private Banks in India includes leading banks like ICICI Banks, ING Vysya Bank, Yes Bank, Karnataka Bank, Kotak Mahindra Bank, HDFC BANK etc. Undoubtedly, being tech-savvy and full of expertise, private banks have played a major role in the development of Indian banking Industry.

The onset of competition from the private players and initiation of banking reforms since early 1990s have led to an increased emphasis on efficient customer service (Narsimham Committee, 1991). Moreover, the tough competitive arena in which these banks operate today, maintaining the quality of service is a pre – requisite for survival. Therefore, measurement of service quality has increasingly created an interest among the service providers (banks) and scholars alike. It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995). In case of banking services, the varied service products being offered and their interface with the information technology like banking on internet, electronic delivery channels, etc. help the banks in seizing the market and be the ultimate winners (Cooper & Edgett, 1996). This also forms an important aspect of service quality. Despite this understanding, conceptualization and measurement of service quality have been the most controversial and

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debated topics in service marketing literature. There has been considerable research as to how service quality should be measured (Babakus & Boller 1992; Brown, Churchill & Peter 1993; Parsuraman, Zeithaml and Berry 1985,1988, 1991 & 1994). Various researchers have developed alternate concepts for service quality, like the Nordic perspective (Gronroos 1982,1984) and the American perspective (Parsuraman, Zeithamal and Berry, 1988). The Nordic perspective explains the service quality on two dimensions i.e. functional and technical quality. The American perspective on the other hand defines service quality on five dimensions, which are reliability, responsiveness, empathy, assurance and tangibility. It is so because the customers do not perceive quality as a uni - dimensional concept (Zeithamal, Parsuraman & Berry 1993). Later the increased interest in the multi – dimensions of service quality led to the development of another model (Rust & Oliver, 1994), which identified service quality as a three dimensional concept. The present study however, is based upon the American perspective and the SERVQUAL/ SERVPERF model by Parsuraman, Zeithaml and Berry (1988) (reflected in Figure 1).

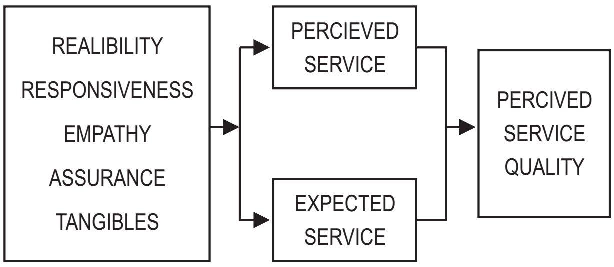

Figure 1: Model of Service Quality Perception

The model explains the service quality on the basis of gap between the expected level of service and perceptions of the customers regarding the level of service received. The SERVQUAL/ ERVPERF model is distinct from others because it determines more than one aspect of service encounters. This view supports the adoption of Rust and Oliver's (1994) view also, which states that the overall perceptions of service quality are based on various dimensions of service encounters. Various researches on service quality dimensions have increasingly led to a debate upon the dimensions. However, there is a wider agreement that the five dimensions i.e. reliability, responsiveness, empathy, assurance and tangibles are important aspects of service quality (Fisk, Baron & Bitner 1993). In fact, the researchers have proved that the Nordic as well as American perspective define the customer's perception of the organization's technical and functional quality, service product, service delivery and service environment, which reliability, responsiveness, empathy assurance and tangibles are associated with the service experience (Brady & Cronin Jr., 2001). In India, a number of studies have been conducted and committees formulated to study service quality in banks. To name a few, Saraiya Committee (1972), Talwar Committee (1975), Goipuria Committee (1980) has studied below average customer service. An all India survey by the National Institute of Bank Management has also identified the lacunae in Indian banking as dissatisfaction among the customers over the delays. In another study conducted in Delhi (Debashish, 2003), the Rust and Oliver model had been used to study the service quality in banks. The study revealed that ICICI bank and HDFC BANK provide better quality service in Moradabad region.

RESEARCH METHODOLOGY

The service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used in the present study. The main assumption of the model is that service quality is multidimensional concept. These dimensions contribute to the assessment of the service quality in any setting. A construct 'SERVPERF' based upon the model has been used to ascertain the service quality in different banks under study.

The statements in the construct are one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used as measurement (Cronin Jr. & Taylor, 1992). The statements have been grouped under five dimensions mentioned earlier. In order to ascertain the perceptions of service quality, Likert's 5-point scale has been used for its suitability to estimate the range and variations in the perceptions. The scale 1 – 5 represents '5' as mostly agree and '1' as mostly disagree.

A pilot study was conducted to ascertain the suitability of the construct in the Indian bank setting. After the ascertaining of the suitability, the questionnaire was administered to the customer's sample size of 100 respondents.After the ascertaining of the validity, the data was analyzed to reach at conclusions regarding the customer's perceptions of service quality.The questionnaire is attached as annexure 1.

OBJECTIVES AND SCOPE OF STUDY

1-To learn and understand the different dimensions of service quality in Private sector banks

For the purpose of data collection, questionnaires were administered to the customers of four banks. Among them we select four banks namely ICICI BANK,HDFC BANK,KOTAK BANK AND INDUSIND BANK.

HYPOTHESIS

H0 - Service quality dimensions do not influence or have any impact on quality of service provided by banks.

H1-- Service quality dimensions influence or have impact on quality of service provided by banks.

The hypothesis of the study is: -

The responses were collected on five dimensions of service quality namely; assurance tangibility, reliability, responsiveness, and empathy for all the banks under study. The responses of the respondents were tabulated and subjected to the validity tests. Subsequently, the validated data was compressed in the form of different tables (annexure), which succeed the discussion on the same. The discussion on the data focuses upon the prime purpose of meeting the objectives outlined and drawing the conclusions and inferences for suggesting suitable remedies for the banks.

The assurance dimension of service quality deals with trust, safety and support. It is also an important dimension of service quality, which has been represented in Table 1. As depicted in the table, it is clearly indicated that assurance has the highest score of 4.28.

Dimension in Assurance banks table-1

BANKS	ASSURANCE FACTOR	RANKS
ICICI BANK	4.20	2
HDFC BANK	4.28	1
KOTAK BANK	3.75	3
INDUSIND BANK	3.20	4
Mean	3.86	

The comparison between the individual bank scores and average scores indicates that the calculated mean value is 3.86, which is less than the HDFC BANK, ICICI BANK. Again, it is the KOTAK BANK, INDUSIND BANK which has the assurance value less than the average value. Assurance dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards Assurance (see Table 1) indicates that the HDFC Bank has scored the highest value of 4.28. It is followed by ICICI Bank with a score of 4.20.KOTAK follows them with an empathy value of 3.75 and last among all is INDUSIND Bank with a score of 3.20. The analysis of the scores clearly depicts that the two banks in the sample viz. HDFC AND ICICI have the scores higher than '4', which represents more than satisfactory perception of consumers. On comparing the individual scores with the average mean score, it can be said that HDFC and ICICI have higher than average scores; whereas KOTAK and INDUSIND bank have values lesser than average.

TABLE -2 Tangibility of Banks

BANKS	Tangibility Factor	RANK
ICICI BANK	4.21	2
HDFC BANK	4.27	1
KOTAK BANK	3.50	3
INDUSIND BANK	3.20	4
Mean	3.79	

The comparison between the average score of Tangibility factor and individual scores, it can be concluded that all the banks Bank have an overall positive perception. However, the HDFC has the score more than the average score. This can be interpreted as the bank has a potential to lead in terms of tangiblity.

Table 3: Empathy Dimension in Banks

BANKS	Empathy Factor	Ranks
ICICI BANK	4.18	2
HDFC BANK	4.25	1
KOTAK BANK	3.40	3
INDUSIND BANK	3.10	4
MEAN	3.73	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 3.73, which is less than the Hdfc Bank and ICICI Bank. Empathy dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards empathy (see Table 3) indicates that the Hdfc Bank has scored the highest value of 4.25 It is followed by ICICI Bank with a score of 4.18 ,KOTAK follows them with an empathy value of 3.40 and last among all is INDUSIND Bank with a score of 3.10. The analysis of the scores clearly depicts that the two banks in the sample viz. Hdfc bank and ICICI bank have the scores higher than '4', which represents more than satisfactory perception of consumers. On comparing the individual scores with the average mean score, it can be said that Hdfc Bank and icici Bank have higher than average scores; whereas Kotak and Indusind bank have values lesser than average

The analysis of the fourth dimension of service quality i.e. responsiveness indicates that the dimension has a lot of significance in the service quality, Hdfc has scored a very high value among three of the four banks under study. It is only the Indusind bank, for which the score has been the lowest. Among the other banks, it is again the Hdfc Bank, which has the highest value of 4.66, followed by ICICI bank at 4.53. Kotak is at the third place with a score of 4.29. The average mean score for responsiveness has been worked at 4.26. On comparing the individual values with the average mean, it can be concluded that again all the three banks except Indusind bank have higher than average scores.

Table 4: Responsiveness Dimension in Banks

Bank	Responsiveness	Rank
KOTAK BANK	4.29	3
HDFC bank	4.66	1
ICICI Bank	4.53	2
INDUSIND Bank	3.57	4
Mean	4.26	

The assurance dimension of service quality deals with trust, safety and support. It is also an important dimension of service quality, which has been represented in Table 4.

Table 5: Reliability Dimension in banks

Bank	Reliability Factor	Rank
ICICI Bank	4.28	3
HDFC Bank	4.64	1
KOTAK Bank	4.42	2
INDUSIND Bank	3.67	4
Mean	4.25	

The comparison between the individual bank scores and average scores also indicates that the calculated mean value is 4.25, which is less than the HDFC Bank, ICICI Bank and Kotak. Again, it is the Indusind Bank, which has the reliability value less than the average value.

Empathy dimension of service quality deals with the approach towards the customers and understanding their needs effectively. The analysis of the responses of the customers towards realiblity (see Table 5) indicates that the Hdfc Bank has scored the highest value of 4.52. It is followed by ICICI Bank with a score of 4.42..Kotak follows them with a value of 4.42 and last among all is Indusind Bank with a score of 3.67. The analysis of the scores clearly depicts that the three banks in the sample viz. icici Bank, Hdfc Bank and Kotak have the scores higher than '4', which represents more than satisfactory perception of consumers.

Private Sector Banks

On the basis of analysis we accept H1 Hypothesis and rejected H0 hypothesis.

The analysis reveals that among the private sector banks all the dimensions of service quality are equally important. However, the scores have been different for these banks. While comparing the dimensions, (see Table 6) the scores for Hdfc has been higher in comparison to other banks.

Table 6:. Private Sector Banks

Factor	Private
	Sector
Reliability	4.25
Responsiveness	4.26
Assurance	3.86
Empathy	3.73
Tangibility	3.79
Mean	3.97

The analysis of the private sector banks clearly identifies Reliability and Responsiveness as the most relevant factor of quality perception, as it has the highest value among the dimensions. Empathy has scored the minimum value in the private sector, which certainly is a big factor contributing towards the lower quality perception of the private sector banks.

Comparison of individual scores with the average mean value also confirms the above average perceptions in public sector banks, as three out of five dimensions have scored higher than average values. In case of private sector banks, only two dimensions have higher than average values. This shows that public sector banks enjoy a better quality perception among their customers.

Strategic Implications

The growth trail of Indian economy is also reflected in the banking sector, as it is the mirror of a country's economy. The banks have been keeping pace with the growing and maturing market economy since the initiation of reforms in 1992. The increased competition among the banks, due to reforms has on one hand led to the strengthening of prudential norms and technological input to ensure better growth opportunities and on the other, an improved service offer to the customers. The quality concept therefore holds relevance in the banking sector. Major findings of the present study are: ¬

The study included five dimensions of service quality perceptions, which are tangibility, reliability, responsiveness, assurance and empathy. The analysis of these dimensions identified that, among the four banks under study, it is the Hdfc bank, which has the highest realiblity in terms of the employees, physical evidence and ambience. Although, the bank has only one branch in the Moradabad, but it has been able to instill a higher reliability value among its customers. As compared to it, the other private sector bank, Indusind bank has the lowest realiblity value. However, in the recent years, it has spent huge amounts on the infrastructure, especially technology (Annual Reports of the Indusind bank). Still, people do not perceive it as a quality tangible offer.

The analysis of the other dimension, responsiveness represents the Hdfc again as the front-runner among the four banks followed by Icici Bank, Kotak Bank and Indusind Bank respectively. This can be interpreted as the employees' capability to respond to the customers. This fact is well represented in the voluminous increase in the retail trade of these banks. The analysis reveals that Indusind Bank has the lowest service quality perception value, whereas the Hdfc bank has the highest perception. This is also correlated to the factors of reliability, as reliability leads to trust, support, etc.

Measurement of the empathy dimension identifies better understanding of customers' needs, as being very high in the Hdfc bank, followed by Icici Bank, Kotak Bank and lastly by Indusind Bank. The results of all these dimensions can be summed up as: Hdfc Bank has the highest quality perception,which is also validated by the Best Bank Survey 2011. It is followed by ICICI Bank, Kotak and Indusind Bank respectively.

Conclusion and Suggestions

There is an urgent need for the banking services to reaffirm themselves in view of the cutthroat competition, which is close on the anvil. The banks shall have to reorient themselves in terms of the customer service parameters to instill the concept of quality service in the mind of the customer and therefore the growth. Strategically speaking, the banks in the private sector should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches but also the physical evidence, internal environment and layout. This is due to the fact that recently like in other services, in banking also the internal ambience of the organization has a positive impact on the customers. The customers trust the public sector banks. These banks have existed in the market for a longer period than the private sector banks. The reliability factor is a positive factor for these banks. They should position themselves in the market on the basis of this dimension and promote themselves aggressively. This will not only help them survive the present onslaught from private sector banks, but also be competitive in the market. The growing needs of the customers are evident from the wide array of services being offered by the banks like insurance, mutual funds, depository services, etc. According to Reserve Bank of India, the voluminous increase of 14,85,643 crores in the retail financing schemes of the various banks indicates the varied needs of the customers, in which the private sector banks have emerged as the significant players. This in turn points towards the degree of readiness, which these banks are demonstrating towards the customers and their needs. Besides this, these banks should follow the strategy of differentiation of service offers from one another. Last but not the least, the customer base of the public sector banks is very big as compared to the private sector banks, therefore it is important to retain them with the banks. It becomes imperative for the private sector banks to train their employees to treat the customers with empathy. This can give the required leading edge and finally the competitive advantage over the public sector banks. The study indicates that the responsiveness is a most critical factor. The private sector banks like HDFC & Icici Bank have emerged as the leading bankers. It is more so due to the fact that they have proven to be more responsive to the customers' needs. However, in order to be more successful in the market, the private sector banks shall have to be more innovative in terms of the product offers to the customers and compete aggressively in the market. The other aspect however, which needs to be strategized is the reliability. As indicated by the study, the private sector Hdfc bank leads in reliability when compared to the other private sector banks. Therefore, these banks should make relevant strategies for gaining reliability. They should promote their recent achievements so that the customers are aware of these and rely more on the banks. Those banks, which have long established parent organizations like Hdfc bank (HDFC Corporation), should promote their linkage to the parent institutions. This would not only increase the reliability of these banks in the minds of the customers but also the assurance. The private sector banks should also take steps to enhance the human resource element by training them to serve the customers effectively and thereby enhance the customers' quality perceptions.

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ANNEXURE -1

Questionnaire On Customer Perception regarding Service Quality of Bank

(A) General information

(I) Customer Name: ______________________

(ii) Bank Name: _________________________

(iii) Bank Type Private Public

(iv) Type of Account Savings Current Salary

(v) Gender Male Female

(vi) Age (In Years) Under 20 21 – 30 31 –40 41 – 50 Above 50

(vii) Qualification Upto 12th Graduate Post

(viii) Graduate

(ix) Income (Monthly) Below Rs. 25000 Rs. 25000 – Rs. 50000 Above 50000

(x) Profession Student Employee Businessman Housewife

(B) Please tick (√) a5,4,3,2,1,against the appropriate box where;

5 = Highly satisfied 4 = Satisfied

3 = Neither satisfied nor dissatisfied

2 = Dissatisfied 1 = Highly dissatisfied

Questions cover different dimensions of service quality.

S. No.	Questions	1	2	3	4	5
Tangibility						
1.	Are you satisfied with the premises of the bank? Is it visually appealing?					
2.	Are you satisfied with the technological up-to-date equipments of the bank?					
3.	Are you satisfied with the way the employees dress?					
4.	Are you satisfied with the pamphlets distributed by the bank? Are they give clear and give complete information?					
5.	Are you satisfied with the bank statement? Is it visually clear?					
Reliability						
6.	Are you satisfied with the services provided by the bank as promised?					
7.	Are you satisfied by the service of handling customer's service problems?					
8.	Are you satisfied with the way bank informs about the time when service will be performed?					
9.	Are you satisfied with the record maintaining procedure of your account?					
Responsiveness						
10.	Are you satisfied with the promptness in providing service to you?					
11.	Are you satisfied with the willingness of employees to help customers?					
12.	Are you satisfied with the bank service of sending timely bank statement?					
Assurance						
13.	Are you satisfied with the way employees behave with you?					
14.	Are you satisfied with the employee's eagerness of instilling confidence in customers?					
15.	Are you satisfied by the employee's behaviour of showing consistently courteousness towards you?					
Empathy						
16.	Are you satisfied by the bank's service of providing customers best interest at heart?					
17.	Are you satisfied by the bank service of providing the product that best suits you?					
18.	Are you satisfied by the overall service quality of your bank?					

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AUDIT PRACTICES IN U.P. STATE UNIVERSITIES

Sanjeev Kumar

ABSTRACT

Audit practices in university systems are quite cumbersome and having different dimensions. State Universities are required to go for audit under two mechanisms. Local Fund Audit and C. A. G. Audit This paper is an attempt to presents information on the importance of the audit activity in U.P. State Universities.

Key Words: *Audit, Audit Practices, University, State*

Higher education has made a significant contribution to economic development, social progress and political democracy in independent India. But there is serious cause for concern at this juncture. The proportion of our population, in the relevant age group, that enters the world of higher education is about 7 per cent. The opportunities for higher education in terms of the number of places in universities are simply not adequate in relation to our needs. Large segments of our population just do not have access to higher education. At the same time, the quality of higher education in most of our universities leaves much to be desired.

Actually, "higher education needs a systematic overhaul, so that India can educate much larger numbers without diluting academic standards. Indeed, this is essential because the transformation of economy and society in the 21st century would depend, in significant part, on the spread and the quality of education among our people, particularly in the sphere of higher education. It is only an inclusive society that can provide the foundations for a knowledge society"1.

The higher education system needs a massive expansion of opportunities, to around 1500 universities nationwide, that would enable India to attain a gross enrolment ratio of at least 15 per cent by 2015. The focus would have to be on new universities, but some clusters of affiliated colleges could also become universities. Such expansion would require major changes in the structure of regulation.

Need of Public Spending

Financing higher education and funding mechanisms are the most crucial aspects for development of Indian higher education. Although the demand for higher education has increased enormously over the years, the central and state governments' financial support to institutions of higher education has declined in real terms. New models of financing higher education based on well-established norms and improvements in the existing system of funding by the central and state governments, therefore, are critical development concerns in higher education. The public financing of higher education needs to be augmented to 1.5 per cent of the GDP of our country as recommended by various commissions and committees on higher education. The UGC should evolve a new funding pattern for Central Government funds through UGC and the state government funds to universities and colleges based on objective and transparent norms-based funding under three broad categories: (a) minimum substantive grants on mandatory basis to all universities based on objective criteria; (b) provision of maintenance grants to all universities based on transparent and objective criteria; and (c) performance-linked incentive grants based on assessable indicators to be made available as per their eligibility.

The basic norms for providing minimum substantive mandatory grants to universities and colleges may include inter alia:

(a) Student enrolment pro-rata basis;
(b) Adherence to Government of India reservation policy;
(c) Student-Teacher ratio;
(d) Teacher-Non teacher ratio;
(e) On-campus support services grants like teaching-learning-evaluation infrastructure, library cum e-resources, hostels, playground and sports facilities, counselling, guidance and placement services etc., and
(f) Off-campus support services grants for extracurricular activities like NSS/ NCC/ NSO and extension activities.

Criteria for Maintenance Grants:

The criteria for maintenance grants for universities/ colleges may be based on:

a) Student strength and the institutions' stage of development;
b) Expenditure on teaching and non-teaching staff;
c) Per-student annual expenditure at UG/PG/Research and other levels;

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d) Per-student expenditure on libraries, hostels, estates, examinations, administrative and management activities; and

e) Fellowships, scholarships, free-ship and other student support systems offered by the institution.

Norms for performance-based incentive grants may include:

a) Inclusiveness in excess of the reservation percentage of central/state governments;

b) Fee subsidies/scholarships/ free-ships/funding, support for meritorious students at the institutional level;

c) Filling up of all teacher vacancies;

d) Introduction of e-governance and digital library with e-resources;

e) Strict adherence to all UGC/ Statutory Council Regulations;

f) Regular faculty development programmes;

g) Academic productivity;

h) Administrative and financial accountability as evidenced by audit reports; and

I) Matching grants for resources mobilised by the institution.

The present practice of faculty support only for the Plan period and insisting the state governments to take over the responsibility of funding after the Plan period involves practical difficulties and also creating uncertainty in the future of the tenure of such faculty sanctioned by the UGC. The UGC be requested to adopt a system of block grants of recurring nature in respect of faculty support of the State Universities or institutions not fully funded by the Central Government through UGC. That is, a fixed percentage of all faculty salary of the university concerned (at least 15 per cent) be paid on an annual basis in lieu of the present system of supporting only the sanctioned posts for the Plan period only.

The Central and State Universities be statutorily required to adopt revision of fee structure payable by the students by at least 10 per cent for every three-year period. All Government and Government-aided Colleges affiliated to various Central and State Universities, after getting authenticated intimation from the state government concerned, should be automatically brought under Section 12(B) of the UGC Act making them eligible for Central Government grants through UGC. A similar procedure can also be adopted for all the new universities established by the Act of the State Governments.

All the state governments be advised to convert the self-financing courses offered by State Universities, Government and Government-aided Colleges as government-approved courses with appropriate aid and make the faculty members attached to the self-financing courses as regular faculty subject to the condition that these institutions strictly adhere to government-approved fee structure for these courses as well as the reservation policy of the respective state government.

The channelling of the Central Government fund to the affiliated colleges is made directly to the respective institutions giving them necessary powers to utilise the grant upon intimation to the concerned state government and the affiliating university. The monitoring of the implementation of the schemes for which funding has been made could be undertaken by the respective affiliating universities. A large number of Government and Government-aided Colleges and some of the State Universities are deprived of UGC basic grants and other scheme-based support for want of the technical requirement of 12(b) recognition of the UGC. This creates a vicious circle in becoming eligible for UGC grant. On the contrary, the Central Universities/institutions become eligible for UGC grant from the very date of inception without the precondition of 12(b) which really enables the Central Universities to take off without facing difficulties. All the Government and Government-aided institutions be given UGC assistance without insistence on 12(b) recognition as precondition.

The expansion of higher education is directly related with enhanced levels of financing. This must necessarily come from both public and private sources2

Audit Practices of Local Fund Audit:

State Universities are required to go for audit under two mechanisms. Local Fund Audit and C. A. G. Audit. Salient features of the audit practices in state universities are as follows3:

(i) Since government financing will remain the cornerstone, government support for higher education should increase to at least 1.5 per cent of GDP, out of a total of at least 1.5 per cent of GDP for education overall.

(ii) Even this would not suffice for the massive expansion in higher education that is an imperative. It is essential to explore other possibilities that can complement the increase in public expenditure.

(iii) Most publish universities are sitting on a large reservoir of untapped resources in the form of land. It should be possible to draw up norms and parameters for universities to use their available land as a source of finance.

(iv) It is for universities to decide the level of fees but, as a norm, fees should meet at least 20 per cent of the total expenditure in universities. This should be subject to two conditions: first, needy students should be provided with a fee waiver plus scholarships to meet their costs; second, universities should not be penalized by the UGC for the resources raised from higher fees through matching deductions from their grants-in-aid.

(v) India should nature the tradition of philanthropic contributions through changes in incentives for universities and for donors. At present, there is an implicit disincentive in both tax laws and trust laws. These laws should be changed so that universities can invest in financial instruments of their endowments to build up a corpus.

(vi) Universities should also seek to tap other sources such as alumni contributions and licensing fees. There is need to create supportive institutional mechanisms that allow universities to engage professional firms for this purpose.

(vii) It is essential to stimulate private investment in education as a means of extending educational opportunities. It may be possible to leverage public resources, especially in the form of land grants, to attract more (not-for-profit) private investment.

(viii) Directorate of Local Funds Audit of the states are primarily responsible for the audit of U.P. State universities. In the last few years it has been felt that the quality of audit in general has deteriorated and it has failed to establish any remarkable achievement which can be highlighted. The poor performance of audit at any stage or neglecting of audit by the administration of the concerned institution can be injurious to the good health not only of the financial institution but also of the country.

(ix) The quality of audit reports has a role to play, The effectiveness, its presentation, the material, the follow up of norms, administrative effectiveness, performances, management, size of institution, its nature are few areas to be taken care to improve the quality of report. Apart from this a correlation between different audit departments like system of Director local Fund Audit, Controller and Auditor General, the Internal Audit system of Institution etc, need a close interlink and require a complete freedom from the interference from the financial Administrative management. It is well settled principal that "Where wits of finance ends the role of Audit starts".

(x) Before we go for a quality reports we have to think over few points of correlation between different Audit system, reasons for poor performance by Audit team, effectiveness, of deployment of staff, standards fixed for Audit, Bottlenecks, the follow up action and last not the least collection of relevant audit evidences and Identification and assessment of risks.

(xi) The Director local fund audit Uttar Pradesh presently Auditing 18 universities in which matters of embezzlements misappropriation, excess payments, Diversion of funds are being reported and are being presented in the house of state legislative which are scrutinized by a committee of state legislature.

(xii) In the state of U.P. state universities are governed by the university Code.

(xiii) The Director local fund has sole authority to decide the format of accounts book to be kept by these institutions. But in recent years it has been felt that a hasty interference by the administration of local authorities in the financial governance of these institution have led to the neglecting of the institution of Local Fund in general and the result is that the utilization of funds have failed to give any result or output in general. If the matter are reported then administration of university itself comes into defense of the institution.

(xiv) The Local fund of states is an institution which has knowledge of government orders and also has knowledge of rules and regulation of state government framed for local bodies. As far as the Local Fund of U.P. is concerned it has its own U.P. Local Fund Audit Act-1984 and Rules called U.P. Local Fund Audit Rules 2005. But the effectiveness of these Act and rules had been over shadowed due to state administrative interference.

(xv) In the recent years the quality of Audit has gone down due to lack of skilled staff. The poor system of training and lack of effective follow up training programs. This had led to the poor performance by the audit staff. Different person has different acumen to perform. It is the time when we need to train the staff according to the nature and management of the institution keeping in view their personal acumen sb that they can perform better in the given area of audit.

(xvi) This will also lead to the effective deployment of audit party in any institution. For example if any university is to be audited we have to look for persons who are skilled in works, establishment and finance because these are the three major area which requires special care in the audit of university. Here the Audit team should have a balance of personnel's skills in the above areas to improve the quality of report.

(xvii) To increase the efficiency and skill of the staff a joint training programs sen1inars and field programs can be organized between local fund & CAG and other Audit agencies.

(xviii) Secondly standard of Audit fixed should be reviewed periodically not only in the light of rules and regulations but also in relation to the strict financial management, performance and economy vis-a-vis the environment, infrastructure and social needs. For example, huge funds allocated to a local body which already got lot of funds in previous years, certainly a point to be taken into reports to point the needs of the other institution which still need funds for their development.

(xix) Thirdly while redefining quality standards for audit we need a careful examination of institutions which are to be audited. According to the nature of institution it is necessary to have a well defined pattern of Audit and standards of norms, so that a combined financial reflection of such institutions can reflect total health of such institution and a wholesome quality report can be prepared.

(xx) Besides patterned audit can reflect a state-wide effective picture of similar type of institutions in relation to their performance, management and financial propriety which will certainly lead to improve the quality of reports and will help to adopt a reporting standards by the Audit agency.

Effectiveness of Audit Practices:

Audit practices in university systems are quite cumbersome and having different dimensions. So there is a need to formulate audit schemes in following ways:4

(a) such schemes are being executed and their operations conducted economically and efficiently, and

(b) the schemes are producing the results expected of them

It is notable that these objectives are in the interest of higher educations like university system. To achieve these objectives it should be examined5:

i. Whether technical estimates or detailed cost schedules are being framed and adhered to,

ii. Whether there have been any serious avoidable delays in progress of work/schemes (due to efficient planning, handling and co-ordination or the work) resulting in the total cost of the scheme or any loss of revenue due to delayed execution or holding up of other connected schemes,

iii. Whether there has been any wasteful expenditure including that resulting from lack of co-ordination amongst the several aspects of schemes,

iv. Whether there had been any waste due to some facilities (e.g. building, staff, equipment etc.) on which expenditure has been incurred under the scheme, proving or remaining unutilized

(a) Whether there have been any serious or recurring losses,

(b) Whether the performance/cost compares well with the results obtained in respect of similar schemes in other fields in public sector.

In order to examine in audit as to how far a particular activity is producing results expected of it. it would be necessary to ascertain :

(a) how far the physical targets have been achieved within the estimated time;

(b) how far any returns (as anticipated) are actually accruing; and

(c) how far the final purpose or objects of the expenditure have been achieve

Thus, audit practices provide an effective framework for better utilisation of resources at university level. It also ensures transparency and compliance of government guidelines in utilisation of grants given by the government. Efforts are needed to professionalise the audit system of universities then we can hope a better scenario of financial management in university system.

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INCULCATION OF STUDIES OF BUSINESS ECOLOGY IN BUDDING MANAGERS

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ABSTRACT

There was a time when environment treated as a bottomless phenomenon. But now, market forces, profit motive, mass production and modern technology have damaged our natural environment to an alarming extent. Since our attention has been drawn to this damage, we must use modern techniques, modern communication and capital to preserve and improve our natural environment. However, Protection of environment from degradation has now not just remained a legal issue but a management issue as well. Almost every product has multiple environmental impacts. The products and their manufacturing processes, consume energy, use renewable and non-renewable material and generate emissions. It has now become essential for corporate sector to make environmental considerations as a part of their business decision making. In order to overcome the potential negative effects of environmental threats, it becomes necessary to adjust our business activities in such a way that minimises severe environmental effects. For this purpose it is essential that our corporate managers, entrepreneurs and personnel should have proper knowledge of environmental values. To provide a physical shape, traditional business education system should be converted towards environment oriented business education that provides budding managers ecological business education. This article focuses the need of 'Business Ecology' as a subject in Business Education as well as proposed syllabus of Business Ecology and career opportunities available after such educational courses.

Key Words: *Business Ecology, Environment Degradation, Education system, Environmental Values, Career Opportunities.*

INTRODUCTION

In recent time, the world witnessed a lot of worst environmental disasters and drastic climate change which denied the scientific environmental predictions. One of the main reasons behind this is environmental pollutions. These disasters and pollutions have a great impact not only on life and ecological system but also on the livelihood of man for his basic necessities of food, clean air and water. Industrial accidents have affected the prevalent environmental climate and ecological balance. Now, the climate challenge is so serious that all possible policy measures need to be considered and take charge of the consequences.

Academics, marine biologist, marine engineers, business houses, corporate executive and the law are all involve in a professional assessment to curb, contain and resolve ecological disasters. With the rising concern for environmental protection, there are great opportunities not only as an avenue to progress academic pursuits, but also as a reliable mean of occupation. In recent years, most of the governments change their economic and fiscal policy to protect the environment. Moreover, the trend of consumers' behavior is change towards eco-friendly-product. Thus there has been a gradual shift in orientation of business management towards environment and many industries need experts to reduce their carbon footprint, their energy costs and maintain their industrial environment strategies to take competitive advantage.

There was a time when environment treated as a bottomless phenomenon. But now, market forces, profit motive, mass production and modern technology have damaged our natural environment to an alarming extent. Since our attention has been drawn to this damage, we must use modern techniques, modern communication and capital to preserve and improve our natural environment. However, Protection of environment from degradation has now not just remained a legal issue but a management issue as well. Almost every product has multiple environmental impacts. The products and their manufacturing processes, consume energy, use renewable and non-renewable material and generate emissions. It has now become essential for companies to make environmental considerations as a part of their business decision making.

As the environment becomes a bigger and bigger issue worldwide, the competitiveness of the region as a whole will be partly determined by their reputation for sound

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environmental policies and practices. This means that companies are going to want to adhere to the highest international standards in order to get access to markets. Thus, businesses have a major role to play in helping protect and enhance the environment, in line with wider goals of sustainable development. For strategic succeed, there is need to take a step in the right direction. It is a need of the hour for Company Secretaries, Chartered Accountants, Lawyers, Cost Accountants and other Management professionals to put up their efforts in the management of their respective organisations towards the sustain the environment and be a part of the decision making more proactively & aggressively.

Objective of the Study:

Environmental management has the potential to play a pivotal role in the financial performance of the firm.

1. To study the paradigm shifts of business and career towards environmental projects.
2. To study environmental employment which going privately and globally.
3. To study the corporate sector needs of environmentally educated professionals.
4. To evaluate the prospective syllabus for Eco-Business Education

Meaning of Business ecology

Business ecology is defined as a new field for sustainable organizational management and design that is based on the principles of environmental protection and natural systems. Business ecology helps us to integrate profitability, stakeholder relations and environmental performance giving your organization the natural edge in emerging ecological economy. **Business Ecology** is a business-technology imperative focused on streamlining business processes, removing waste from technology portfolios, and adjusting resource consumption, to optimize business operations and foster business innovation. Business Ecology practitioners employ technology to identify, measure, model and drive business change.

Present Scenario Eco-Business and Career Opportunities

<u>The Global Scenario</u>

Seiyu, the fifth largest retail chain in Japan, accepted the environmental challenge and investing its management resources in environmental activities with some success. Within the global competition in the retail industry, it meet the challenges of making profits, remain cost-competitive, build efficient and effective management, comply with environmental regulations, and improve their environmental efficiency by unleashing each employee's creativity. It employs about 14000 full-time and 8000 part-time employees. In 1997, the company became the first retail company in the world to acquire ISO 14001 certification of its environmental management system in a unified, multi-site format. Since then, Seiyu has been placing a particular emphasis on its environmental education program and house-brand environmentally friendly products. Since 1992, the company has been selling a house-brand of environment-friendly products called "Kankyo Yusen" (Environmental Choice), and the line has grown to a total of 96 items, resulting in sales of 373 million yen (about U.S.$3.4 million) in fiscal 2002. This company is to be proved the value of prominent environmental initiatives while improving its overall efficiency. This initiative is considered as preparation for future movements of businesses in Japan and defined that environmental initiatives do not require any major move, they can be introduced solely and slowly, starting small.

The Chinese company Suntech, which only started in 2001, is now the world's third-largest manufacturer of solar cells, after Sharp in Japan and Q-cells in Germany. Suntech listed on the New York Stock Exchange, is worth around USD 5.5 billion. In 2006 the industry had a turnover of more than USD 2.6 billion and provided nearly 6, 00,000 jobs. The wind business is also growing, by more than 30% per year worldwide. According to Suzlon Energy, India's biggest wind company that has just opened the world's biggest turbine factory in China. China's turbine market has increased sevenfold in two years and is now the world's fifth-biggest user of wind turbines. It indicates the renewable energy and eco-friendly project have a great business and job opportunities in coming days.

America is also on the move. A tenth of the USA's venture capital is spent on clean energy. USA's investment in clean technology is rapidly leaving Europe behind, being four times greater in 2006 and it more than doubled in the past two years to USD 2.9 billion according to Cleantech Network, an industry research body. After the dotcom boom, now many of America's financiers and businesses are betting on renewable energy and clean technology. Larry Burns, General Motor's vice-president of R&D and strategic planning is recently quoted as saying "This industry is 98 % dependent on petroleum. That's not sustainable. It's all about displacing petroleum."

Europe is way ahead of the US in displacing petroleum. The average new passenger car in Europe uses 40% less fuel than in the US. Higher taxation of fuel has played a key role in stimulating fuel efficiency of vehicles in Europe, and had an important effect on protecting the environment. European eco-industries represent 2.1 % of EU GDP and still have a leading presence on the global market, with Germany holding 20 %, followed by Denmark and Spain. The German government has recently estimated that the value of the global market for clean-tech is around EUR 1000 billion and will more than double by 2020. So, clean technology and energy seems to be good business. The NEX (the WilderHill New Energy Global Innovation Index), tracking worldwide clean-energy companies, shows an increase in share prices of 100 % between end 2004 and mid 2007 compared to an increase in the share prices of the Standard & Poor's 500 companies of 20 %. Around 24,000 jobs were created in the renewable energy sector in Germany alone in 2006, according to Allianz, the German insurance company, bringing the nationwide total to over 2,00,000. Investments in environmental technology were EUR 60 billion in 2006 and are estimated to be almost seven times greater in 2030.

Denmark's wind company Vestas, which is the world's biggest turbine producer, has a global market share of 28 % and a capitalisation of about EUR 10 billion, which is now roughly the same as the Ford motor company. Spain's Games and Germany's Enercon each have 17 % of the global market. The early stimulus of clean-tech and renewable energy that came from EU and Member States' environmental policies, has helped to create European leadership in the market. Europe has some institutional support to stimulate eco-innovation, for example the renewed EU Lisbon Agenda, the 2007 Spring Council, the Competitiveness and Innovation framework Programme, the planned European Institute of Technology, ETAP — the EU Environmental Technology Action Plan. Therefore, many governments are planning to have the right economic incentives to implement this type of eco-strategic vision.

<u>Indian Scenario</u>

India is still not a signatory to the Kyoto Protocol, which in a way, is a road-block for effectively carrying out environmental management by the industries. Currently companies like Jindal Stainless, Essar Steel, Hyderabad Chemicals, Paschim Hydro Energy P. Ltd, The Andhra Pradesh Paper Mills Ltd, have been making use of market based instruments like Carbon Credits in their businesses. TATA, NTPC, NHPC etc. are also increasingly involved in green projects.

Landmark Verdicts on environment protection

There are a lot of verdicts done in India which create consciousness on environmental protection and help to move business towards eco-sectors.

- 1985: Magsaysay award winner, M. C. Mehta, files a petition in the Supreme Court, seeking the shifting or closure of polluting industries operating illegally in Delhi. The Environment Protection Act, 1986, is yet to be enforced.
- 1987: The Shriram Fertilizers gas leak case. A petition filed by Mr. M. C. Mehta in 1984 is heard by Mr. Justice P N. Bhagawati, who enforced the "Polluter pays" principle.
- 1988: Mr Justice E. S. Venkataramaiah enforces the Water Pollution Act, 1974, in the Ganga pollution (by tanneries) case filed by Mehta. Another order bars the Delhi municipal agencies from dumping wastes in the Ganga-Yarnuna.
- 1992: The first order on polluting industries of Delhi. The apex court of the land orders closure of 300 stone-crushing units in Delhi (the capital of India) in response to a petition filed by Mehta.
- March 1995: The Delhi government submits a list of hazardous units in the Capital to the Supreme Court.
- April 1996: The Supreme Court orders closure of 513 polluting industries.
- July 1996: An apex court bench comprising Mr Justice Kuldip Singh and Mr Justice Faizan Uddin orders relocation of 168 polluting units from Delhi.
- December 1996: The apex court clarifies on the relief to workers of industries opting to close and refuses to extend the deadline.

The potential of Environmental Tax Reform is to stimulate eco-innovation and to strengthen the economy through investments in strategic areas like environmental technologies and renewable energy, contributing to an ecological industrial policy.

Initiations Taken for Environmental Education

<u>Indian perspective:</u>

Many Indian schools, both technical and managerial are putting in sincere efforts to bridge the gap between demand for environmental jobs and environmental education. According to Prof. B.K. Sinha - Director, Amity Schools of Natural Resources and Sustainable Development, "So for Indian management schools are neither tailoring their curricula nor altering focus to meet the students needs. Amity Schools of Natural Resources and Sustainable Development has develop a course called MBA in Natural Resource Management to particularly address the pressing need of Sustainable Natural Resources management, Climate Change, Cabon market etc. these courses are taught through focused and tailor made lecture, tutorials, audiovisual aids and live case study." At Centre for Environmental Planning and Technology (CEPT) University, the climate change programme is a Module-based program divided in 15 modules. Each module is assigned a certain number of days / week and during the course of a module, students undertake intense project work along with theory on the specific topic. All sub-models are highly project/ studio oriented. There are also short inter-semester projects along with summer internship and final thesis. Some leading Indian institutions providing environmental education are as under:

- Amity Institute of Energy and environment, New Delhi.
- Institute of Petroleum Management, Gandhinagar.
- Indian Institute of Forest Management, Bopal.
- Management Development Institute, Gurgoan
- National Institute of Industrial Engineering

- Symbiosis Institute of International Business, Pune
- Indian Institute of Social Welfare and Business Management, Kolkata
- Teri University
- University of Hyderabad

International perspective:

International schools have established curricula to reach the repercussions of climate change and the environment. At Coventry University the MBA in Environmental Management Programme address key technological, legislative and fiscal challenges facing governments and all business organisation. Alongside these specialists modules students also study management module such as marketing, finance and strategy. The programme also consists of mandatory modules and credits from a list of core options chosen in consultation with the course tuter followed by an MBA project.

Rob Engelhardt, an MBA in Natural Resources Energy & Environment from University of Alberta says "The specialization in natural resources has provided me with strong quantitative finance skills and a solid understanding of energy economics. It is a perfect combination of success."

Rahul Athavale gives us a gist on some of the reputed courses on Environmental Study in the UK "On a higher education platform there are several reputed courses on offer in the UK. One such is the MBA in carbon management at university of Anglia, which is claimed to be one of its kinds offered so far. There are good M.Sc. Pogramme available as well from University of Strachclide, Glasgow and Edinberg University. This university has identified the requirement, current and future, where more people will be required in the energy field. Most engineering and B-Schools in the USA and UK are adding environmental subject environmental subjects to their curriculum. These courses are very relevant to the current scenario and deliver very specific and up to date knowledge. The curriculum is practical, well planned and decided after consultation with the industries". Some leading International institutions providing environmental education are as under:

- Aberdeen Business School, UK
- University of East Anglia Business School, UK
- Coventry University, UK
- Danube University Krems, Austria.
- Southern New Hampshire University, Manchester
- Truck Business School, USA
- University of albetra, School of Business, Canada
- Harvard University Extention School, USA
- Columbia University, USA
- Curtin University Graduate school of Business, Austria
- Florida International University, USA
- York University , Toronto
- University Of Copenhagen, Netherland
- University of Ottawa, Canada
- Murdoch University, Australia

Career Opportunities after Environmental Education

Environmentally business job is to work as a sustainable solution of social desirability, economic feaisblity of the business and viability of ecological system. So, it is sweet spot job rather than other one. Previously, management concentrated on, how can be assure a stable, cheap supply of oil, natural gas and coal. Currently, it is changed as how can be reduce as much as possible the negative ecological and health consequences of fossil fuel dependence. But future will totally sift from earlier as how can be rapidly move to an ecologically sustainable future that dramatically reduces, or even eliminates, the use of fossil fuels as a major energy source. This is the great indication of the future that business and career opportunities will shift towards Eco-Business.

Career Prospects in Indian Scenarios:

Though the green movement is picking pace in India, but most predict a positive growth for the eco-sector. The Indian government plans to create 3, 00,000 jobs by 2020 through various solar and wind power projects. Projects related to land water resource management are expected to create 1 crore plus jobs in technical and managerial areas. 20,000 green technology jobs have been off shored to India since January, 2009. Now a series of Environmental Tribunal are also envisaged and a new bill for having an environmental tribunal all across the country in every state has already been passed by the parliament. There is a green bench in the Supreme Court which hears P.I.L. on non-compliance of environmental laws every Friday. Job opportunities exist for professionals in areas of environmental impact assessment wherein professionals have to prepare an environmental impact assessment plan for any development project above 5 crore; Environmental Audit and Certification; Corporate Social Responsibility Project were organisations address environmental concern to create the green brand image; forest and timber based commercial production enterprises and firms dealing in herbal products (Dabur, Baithnath, Ayur, ITC); Carbon Market; eco-tourism and national and international NGOs (WWF, Green Peace) pay structure varies from Rs. 5 to 6 lakhs per annum for fresher. These upcoming demands will need professionals with multi-disciplinary understanding of climate change and related issues, to be able to provide comprehensive solutions for sustainable development practices.

Career Prospects in Global Scenario:

For many developed nations who have been the contributors of GHG emissions in the past, environmental ignorance is no longer an option. Organisations, Schools, Public Parks, and even common household are conscious about environmental degradation and all take initiatives to reduce the carbon footprint. Invariably, such consciousness has accelerated the demand for green jobs in the international markets.

Marco J. Castaldi, assistant professor, Earth and environmental engineering, at Columbia University says that the future for eco-student in this sector is quite promising "Student can work in a range of areas from large companies like Schlumber to waste management and to small companies such as Powercon, Brightpoint and other to government (EPA, etc.) and non-governmental offices (sustain US, UNDEP, etc). Salaries are competitive in all such companies." For engineering post-graduates the average international salaries, in the environmental sector range between USD 50,000 to USD 80,000. The British govt. has taken up several initiatives to encourage energy intensive industry and optimize the use of energy. Therefore, renewable energy industries are going to be in much demand in future.

Table- 1: Global scenario Of Environmental Career

Environmental Career	Total No*.	Future Prospoect**	Average Entry Level Pay in $
Social Scientists	20,000	Steady	44,200
Environmental Lawyers	79,400	Steady	69,820
Urban & Regional Planners	34,000	Steady	45,176
Environmental Scientists	76,000	Steady	42,106
Conservation Scientists/Foresters	33,959	Slow	42,709
Geoscientists	30,000	Steady	53,048
Science Techs	249,162	Steady	38,085
Suveyors, Cartographers, Photogrammetrists, Surveying Technicians	141,073	Steady	38,420
Environmental Engineers	54,000	Excellent	50,702

Source: *Environmental Career Organisation* ***Note:*** ** Does not include teachers and college professors, ** Excellent = Much faster than the average of the overall economy, Good = Faster than than the average, Steady = About as fast as the average, Slow = Slower than the average, Poor = Much slower than the average*

Many counties, both developed and developing have already decided to go green in the future. United Nations Environment Programme (UNEP) clearly States that "companies and regions that becomes leader in green innovation, design and technology development are more likely to retain and create new jobs. But workers and communities dependent on mining, fossil fuel and smokestack industries or on companies that slow to rise to the environmental challenges will confront substantial challenges to diversify their economies." Experts predict major changes in employment will be seen by 2030. Now, the time is coming of integrating ecosystem conservation strategies with social justice and economic security. Those keen in career in environmental sector need to be aware about these changes and develop their skills and qualifications accordingly.

Important and emerging eco-careers

Mostly all degrees are obtained with the purpose of advancing your career prospects and job opportunities. The same is the case with 'Business Ecology' job nature of an ecologist includes both field work and laboratory work. Ecology professionals collect all significant data from the fields and research and analyze them in laboratories. So ecology as a career is most suited for the candidates who are nature-loving and are having a curious mind and strong analytical ability.

Career opportunities are available for ecologist in following areas:

- Pollution prevention specialist
- Conservation biologist/ecosystems manager
- Information technology/GIS
- "Dual track" environmental manager
- Renewable energy and energy management
- "Smart growth" and urban planners
- Policy integration specialist
- Community organizer
- Fundraiser, "rainmaker", dealmaker

- Climate insurance specialist
- Agriculture and Environment research
- National parks and similar organisations manger
- Large corporations and the government agencies also employ ecologists in various positions,
- Teaching positions are also available in academic institutions,
- Major career profiles in this field are as professional ecologists, ecologist Scientists, research officers, farm manager, manager-Dairy farms, manager recycling units, manager eco-friendly production process, finance manager-carbon finance and insurance, traders carbon market, etc.

These are just a few of the popular career fields in environmental and business management towards ecological development. There are many, many more job depends upon your own skills, talents, and degree of environmental education. However, most of the corporate sectors are seeking dual track environmental managers. Now, integration of different fields - science, engineering, politics, law, information technology, project management, business administration, marketing, communications, and economics - is at the heart of the emerging environmental professions.

Among the most popular careers are hybrids that combine two or more professional tracks. The Master of Environmental Management program at Duke University's Nicholas School for the Environment is an example of an interdisciplinary program that weaves together different tracks to educate the environmental managers of tomorrow. Demand is also high for people who combine two traditional degrees. Engineers with an M.B.A. or scientists with a master's in public administration are two good examples. In 21st century, companies will demand environmental professionals with other skills and personality traits are:

Table- 2: Competencies for the 21st Century

	Companies Wants Hybrid Competencies	**Job seekers key questions**
1.	Communication skills	What are thier values?
2.	Collaboration abilities – team orientation	What have they learned about their self?
3.	“Customer”orientation	What is their vision?
4.	Creativity, innovative thinking	What is their strategy?
5.	Broad environmental sciences understanding	Who are their stakeholders?
6.	Analytical ability, critical thinking, problem-solving	What are their long-term and short-term goals?
7.	Work orientation, professionalism, positive attitude	What are their objectives to achieve your goals?
8.	Occupation-specific skills and knowledge	What is their action plan?
9.	Mastery of information technology, including GIS	What resources do they have? What do they need?
10	Leadership ability	How will they evaluate your progress?

Source: Environmental Career Organisation

What Should in the Syllabus of Business Education

There is some prospective environmental subject’s matter which can be use as course curriculum in Business Ecology. These are as under:-

Environmental Management: An MBA in environmental Management merges the knowledge of environmental management in a business context. Environmental management professionals study key environmental issues concerning their business and its activities. They make suggestions to the top management to adopt environmentally friendly measures in a profitable manner. Environmental management is concerned with overall administration, economic, legal, technical and social aspect of a business. Most courses in such a programme include subject like:

1. Advance ecology
2. Environmental economics
3. Industrial business Planning and environmental law

Forest Management- in the time of rapid deforestation, the important of forest management is unquestionable. Forest management is concerned with overall administration, economic, legal, technical and social aspect of a forest. It is a part of forestry study that includes management of wildlife, wood products, forest tree reserves, water forest resources etc. in the recent years forest management also includes devising a plan to provide livelihood to forest dweller i.e. kanha national park in India has successfully been able to achieve triple objective of conserving the forest resources (forest and animals), promoting nature tourism and providing means of livelihood to forest tribes.

Rural Management: In spite of large scale globalisation, India still has 60% of its population in the rural areas. Rural management applied management study in rural context. Its aim is managing cooperatives, cottage industries and agribusiness projects. By generating eco-friendly business model in the rural areas, rural actually arrest the migration of rural population to urban areas and at the same time makes the rural areas economically independent like 'Amul' led to develop of Anand in Gujrat as the Milk Capital of India.

Agriculture Management: in the age of sophisticated mechanization and scientific innovation, agriculture is now an industry driven by consumer and market forces. Agriculture management combined natural, human and financial resources to implement agricultural sustainability projects. In the context of rapid depletion of forest cover and the impoverishment of farmer's economy, agro forestry becomes vital in terms of balancing the conflicting issues of conservation of natural resources and their uses in sustaining agriculture development. For example, Kodagu (Coorg) in Karnatka, India has agro- forestry in surrounding hills where forest areas have been complemented with ginger, tea, and coffee plantations.

Energy System Management: Growing energy needs, Renewable and non renewable energy sources, Use of alternate energy sources viz. new energy source-solar nuclear, Carbon sequencing alternative use of energy, Case studies.

Industrial Ecology Management: Sensitivity analysis of business ecology, relationship between environmental science and business decision making, relationship between economy and environment.

Bio-based Approach Management: Develop biologically based material and production process, substitute of current Toxic, scarce resources, non degradable materials.

Recycle Management: Management of natural resources and anthropogenic resources at national level and international level.

Natural Policy Management- impact of policy on nature, create low risk of industrial resources controlled industrial ecology management,

Technologic Management- innovative material, design and process management

Innovation Management- better characterization

Eco-tax Management- environmental and fiscal impact

Eco- Production Management- environmental impact of economic globalisation

Characterizing indirect environmental eco analytical method

Product Life Cycle Management- remanufacturing original manufacturing, reduce life cycle environmental, PLC eco-innovation, PLC extention

Bioengineering management- standards business decision

Environmental impact of financial decision- financial decision effect on environmental performance

Green Marketing- Product, Price, Place, Promotion

Eco Strategic Management- Eco-Planning, Eco-Market Development, Eco-Collaborations

Eco Tourism Management- Development of tourist place,

Conclusion

Business giant today have realized that nature's way is the best thus survival would depend on strategy on increasing cooperation rather than competition. Thus the concept of business ecology and eco-industrial parks has become very relevant today. The fundamental shift has already begun with the concept of environmental stewardship. There is an increasing trend among industries to comply with ISO 9000 and ISO 14000 standards and enhance use of tools like Total Quality Management (TQM), Life Cycle Assessment (LCA), Life Cycle Design (LCD) and increasing affinity towards a proactive approach. Business ecology uses an ecological, holistic lens for viewing all of the relationship and flows that affect an organisation. It improves organizational performance, including higher revenues, profitability, new market, lower liabilities, pollution reduction and prevention higher motivation and productivity and healthier stakeholder relation. Environmental education will not only help in direct reduction of emission but also help the environment degradation. In future point of view, green managers are in great demand.

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MANAGEMENT OF HUMAN RESOURCE IN GEMS AND JEWELLERY SECTOR IN INDIA

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Sabeena Fahruk**

ABSTRACT

Liberalization of the Indian economy in 1991 had its fair share of impact on the gems and jewelry business which was earlier regulated and few specific agencies could import gold. India has slowly become a leading player in the global gems and jewelry market and the sector has become much sought after owing to its pace of growth and impact on the Indian economy. Today, India is one of the eight important world markets, in league with USA, UK, Middle East, Turkey, Japan, Italy and China.

Key Words: *Gems and Jewelry, Diamond, Industry, Human Resource*

INTRODUCTION

The Indian Gems and Jewellery industry is one of the fastest growing segments in the Indian economy with an annual growth rate of approximately 16 per cent. The domestic market is estimated to be around US$ 16.1 billion and CII expects it to grow to US$ 30 billion in the next 4 years. The country is also the largest consumer of gold in the world. It consumes in excess of 800 tonnes of gold that accounts for 21 per cent of world gold consumption, of which nearly 620 tonnes go into making jewellery. India is also emerging as the world's largest trading center for gold targeting US$ 17 billion by 2011. The industry has the best skilled manpower for designing and producing high volumes of exquisite jewellery at low labour costs. India is the largest diamond cutting and polishing center in the world—the industry enjoys 60 per cent value share, 82 per cent carat share and 95 per cent share of the world market in terms of number of pieces. In other words, nearly 9 out of 10 diamonds sold worldwide are cut and polished in India. India exported cut and polished diamonds worth US$ 14.18 billion in 2007-08. The Indian Gems and Jewellery market continues to be dominated by the unorganized sector. However, with the Indian consumer becoming more aware and quality conscious, branded jewellery is becoming very popular and the market for branded jewellery is likely to be worth US$ 2.2 billion by 2010, according to a McKinsey report. Moreover, the government allows 51 per cent FDI in single brand retail outlets, attracting both global and domestic players to this sector. The World Gold Council recently estimated the size of India's gold coin market at about US$ 2.11 billion. The Indian gems and jewellery industry directly employs an estimated 3.2 to 3.4mn people and the number is expected to go up to about 8 million by 2022. This would mean an incremental human resource requirement of about 4.6 million persons between 2008 and 2022 which averages to about 1.15 million persons per annum. In a recent research study conducted by the National Skills Development Corporation (NSDC Primary Research & IMaCS Analysis, it is noted that the industry has also shown high appreciation for educated and qualified work force thereby favouring skilled labourers who are well equipped with specialized Gem and Jewellery training.

Some facts about the Indian Gems and Jewellery Industry

- It is seen that freelancers are working in the design function and employers do not employ all their designers on-rolls
- A small proportion of diamond assorters are also being employed on a contractual basis
- Currently a very small proportion (about 5%) of workmen in the Cut & Polished Diamond segment is registered. This trend is expected to change, though very marginally, with an increased level of organization in this segment.
- As the industry is now seen focusing more on the jewellery fabrication segment, it has opened up ample employment opportunities for women too.
- The industry has also shown high appreciation for educated and qualified work force thereby favoring skilled labourers who are well equipped with specialized Gem & Jewellery training.

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Value chain of the Gems and Jewellery sector

The overall value chain of the Gems and Jewellery sector is as depicted below:

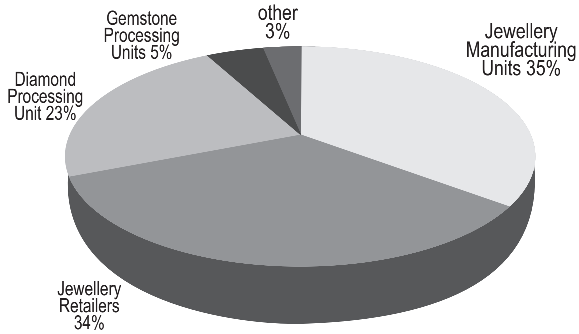
- Mining: The first stage in the value chain of the Gems and Jewellery Industry is mining, i.e. the extraction of gold/diamonds from their natural deposits. Diamonds are typically mined by pipe mining or by alluvial mining. Pipe mining refers to the extraction of diamonds from volcanic pipes, while alluvial mining involves the extraction of diamonds from riverbeds or ocean beaches. Gold mining consists of the processes and techniques employed in the removal of gold from the ground and there are several techniques by which gold may be extracted from the earth.
- Diamond/Gemstone Processing: Diamond cutting and polishing requires anywhere from several hours to several months to complete. During this process, a diamond loses, on average, half of its original weight. A mined diamond stone first needs to be planned for cutting – i.e. it is carefully examined by the cutter and then marked for cutting. In the polishing process facets are ground on to the stone. A facet is the tiny plane or surface that traps the light and makes a diamond sparkle. Most diamond cuts have 58 facets.
- Jewellery Fabrication: Nearly two thirds of the world supply of gold is currently used for jewellery fabrication. Under this step, gold is first manipulated, i.e. it is melted, bent, cut and shaped in a way so as to create jewellery designs. This is followed by the casting process, which may be a manual or machine-aided. The setting process follows casting, and is the 3 GJEPC

Human Resources and Skills Required in Gems and Jewellery

Current Employment Pattern

The bulk of gems and jewellery industry in India is concentrated in unorganized sector and employees as estimated 3.2 to 3.4 million people directly. It is also estimated that 94% of the global workers involved in the diamond industry are in India. Due to economic recession in India during 2008-2009, more than 100000 skilled and unskilled workmen have been laid-off due to poor demand. However it is expected this will be only a blip in the long term outlook.

Breakup of employment in Gems and jewellery sector in india



Source: GJEPC, Primary research, and IMaCS analysis

Functional Distribution of Human Resource

Our interactions with representatives from the Gems and Jewellery industry reveal that a significant proportion of the workforce is involved in manufacturing operations (jewellery fabrication and cutting/polishing activities), followed by functions such as QC and other support functions such as HR, administration, finance, etc. In the CPD segment, most personnel are engaged in the cutting and polishing manufacturing operation, while in the jewellery fabrication segment, most personnel are engaged in the setting (wax setting / metal setting), grinding and assembly and finishing / polishing operations.

	Function	Distribution
Procurement		1%
	Planning of cut	8%
	Cutting	5%
Processing	Polishing	70%
	Grading	5%
Trading/Sales		1%
HR, Admin, Finance, Senior Management Other support functions		10%

Source: Primary research and IMaCS analysis

	Function	Distribution
Design		2%
	Model Making	3%
	Waxing	8%
	Setting (wax/metal)	25%
Fabrication	Casting	5%
	Grinding & Assembly	15%
	Finishing/Polishing	15%

Function	Distribution
QC	10%
Export/Retail	3%
HR, Admin, Finance, Senior Management	10%
Support	4%

Source: Primary research and IMaCS analysis

Distribution of Human Resource by Education Level

The following table represents the education-wise break-up of people across various segments of the Gems and Jewellery sector in India. As seen, most of the persons employed in the gems and jewellery sector in India are minimally educated and most have studied till 10th standard or below

Distriburion of human resource by education level

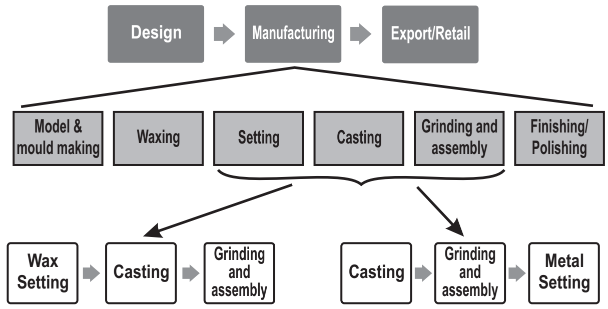
Sub-segment	Cut and polished diamonds (CPD)	Jewellery Fabrication
Ph.D/Research	-	-
Engineers	0-1%	0-1%
Diploma or equivalent certification by other agencies	0-2%	0-2%
ITI and other vocational courses	0-2%	0-2%
Other graduates	0-5%	5-10%
CA/MBA/etc.	0-5%	5-10%
10th standard	8-10%	25-30%
Below 10th standard	70-75%	40-45%

Source: Primary research and IMaCS analysis

Skill requirements and skill gaps in the Jewellery Fabrication Segment

Value chain of the Jewellery Fabrication segment

In this section, we will reiterate and further detail the value chain in the Jewellery Fabrication segment to set the context for the section on skill requirements and gaps in this segment. Jewellery fabrication segment much more organized than the CPD segment in India. The value chain within the Jewellery Fabrication segment can be represented as follows:



Projected industry size and human resource requirements

The Gems and Jewellery sector is expected to witness certain structural changes which will drive human resource requirements.

- Growth in purchase of jewellery driven by increasing consumption, with consumption of luxury items expected to grow at 8.5% to 9% in the long term.
- A trend towards increasing preference for more fashionable jewellery and diamond jewellery.
- Setting and fabrication of jewellery heralding the next phase of growth given that the processing of cut and polished diamonds is nearing saturation.

Projected human resource requirements for the Gems and Jewellery Industry in India till 2022 (in '000s)

	2008	2012	2018	2022	Incre-mental
Jewellery Fabrication	1,167	1,626	2,339	2,707	1,540
CPD	767	1,032	1,563	2,031	1,264
Gemstones and other categories	267	432	858	1,415	1,148
Jewellery Retail	1,134	1,517	1,905	1,791	657
Total	**3,335**	**4,608**	**6,665**	**7,943**	**4,609**

Source: IMaCS analysis

We have found that India has a large pool of skilled and low cost man power for its gems and jewellery industry. The country has world's one of the best skilled manpower to design and make high volumes of exquisite jewellery at relatively low labor cost. The cost per carat for cutting and polishing diamond was US$ 10 in India as compared to US$ 17 in China and US$ 150 in Belgium. It also has the largest resource hub in diamond cutting and processing. Low cost of labor involved in production of finished diamonds has lured global attention, thereby resulting into the growth of the industry. Changing lifestyle and urbanization are also fuelling the growth in the gems and jewellery industry, mainly in branded jewellery, which is expected to grow over 40% in the coming years. Urban consumers in India have become more exposed to western lifestyles, primarily through overseas travelling. This has led to increased preference for products and designs that are popular abroad. For instance, there is a shift towards machine-made jewellery over the traditional handcrafted jewellery.

Conclusion

Indian Gems and Jewellery Market - Future Prospects to 2011" provides comprehensive information on gems and jewellery market in India while focusing on past and future market scenario. The report studies the past and present market trends to highlight the potential growth areas in future. It also gives an overview of the organized and unorganized market for gems and jewellery in the country. The report also takes into account the weaknesses and strengths of existing players in the market to facilitate new players to devise their strategies accordingly to gain competitive advantage. The research also includes forecast on various segments of the industry like gems & jewellery market, gold jewellery sales, share in world gold consumption, diamond jewellery sales, branded jewellery market and share of branded jewellery in the overall jewellery market. Currently, India exports around 95% of the world's diamonds. Gems and Jewelry is one of India's leading foreign exchange earning sectors and accounts for 16.7% of India's Exports. It is expected to touch US$ 43.1 billion by end of this financial year which will be about 40-45% over last year. Our analysis of the potential of the Gems and Jewelry industry in India reveals that the industry is will enjoy a growth of about 8.5% in the period up to 2015, and about 7% in the horizon till 2022thereby recording revenues of Rs. 1,700 billion. The export segment is expected to witness a growth of about 12.5% till 2022 and reach a size of Rs. 4,400 billion. Thus, in all, the Gems and Jewelry industry (domestic sales and exports) would grow at 10.3% on a CAGR basis till 2022. This would translate to the overall employment in the industry increasing from the current level of 3.3 million to about 7.9 incremental human resource requirements of about 4.5 million to 4.7million in this sector till 2022. Out of the above requirement, the highest incremental requirement of human resources persons would be for persons who are minimally educated, yet can handle simple and/or repetitive tasks (persons such as cutters, those engaged in polishing, etc.).Considering skills of specific interest to the Gems and Jewelry industry, about 1.3 million persons with jewelry fabrication skills will be required till 2022. Around 1.1 million persons with the skills of grading, faceting, polishing and cutting will also be required in the same period. Together, these account for more than 50% of the human resource requirement. The skills of setting, polishing, and faceting are potential areas to channelize skill building initiatives in the Gems and Jewelry industry

PERSPECTIVES OF ENTREPRENEURSHIP DEVELOPMENT IN 21ST CENTURY

V Vijay Durga Prasad

ABSTRACT

After briefly highlighting the contribution of the three recent committee reports on Small Enterprises (SE) Sector, the paper focuses attention on entrepreneurship development (ED) efforts for small enterprise promotion and rural industrialization from two angles, individuals as entrepreneurs, and group approach to entrepreneurship development, with focus on weaker sections and poorer among women, referred to as Self Help Groups (SHGs). Institutional framework at national and state levels is spelt out for different groups of entrepreneurs, including Science & Technology background persons. Various stages of entrepreneurship development such as pre-training, training and post-training services are highlighted. Referring to the group approach, role of premier national level organizations is recalled. Special efforts of National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI) are outlined. Direction for the future for entrepreneurship development is presented. While outlining the challenges faced by the SE Sector, crisis situations are pinpointed. In the concluding part of the paper, suggestions are offered for making the ED programme more effective and result-oriented to improve the success rate of trained entrepreneurs.

Key Words: *Entrepreneurship, Liberalization, Entrepreneurship Development, Perspectives of Entrepreneurship.*

INTRODUCTION

In the changed scenario of small enterprises development in the context of liberalization from 1991, expectations and strategies to be pursued for promoting entrepreneurship have undergone considerable change, particularly at higher investment levels. It is no longer a seller's market; competition in a number of product lines is fast increasing. Existing and prospective entrepreneurs have to be made aware of the complexities of the management of an enterprise in future. The standard strategies for promotion of entrepreneurship, namely, stimulatory, support and sustenance continue to be relevant. The orientation and focus may vary in the context of the level of development and objectives to be pursued in each region. The documents having a bearing on development of small enterprises are as follows:

1) Report of Expert Committee on Small Enterprises (1997) under the Chairmanship of Abid Hussain submitted to the Ministry of Industry, Government of India
2) Report of the High Level Committee on Credit to Small Scale Industries (1998) under the Chairmanship of S.L. Kapur submitted to the Reserve Bank of India
3) Report of the Study Group on Development of Small Enterprises (2001) under the Chairmanship of S.P. Gupta submitted to the Planning Commission, Government of India

Abid Hussain committee firmly states that the policy of protection pursued so far for the development of small enterprises needs to be replaced by far more vigorous promotional measures in the competitive market-led environment, where small scale units have to co-exist, and find their place in competition with large industrial units within the country, not to speak of global competition. The Kapur Committee has dealt with improving the effectiveness of the delivery mechanism and simplification of systems/procedures for credit to the SSI Sector. The committee forcefully pleaded that special treatment should be given to the smaller among small industries, namely, tiny and micro enterprises. More specialised SSI branches are to be opened by public sector banks for financing the SSI sector. Selective specialised branches should be encouraged to innovate and experiment with new products such as factoring services and business credit cards. SIDBI is assigned a pre-eminent position to improve the effectiveness of its operations, by delinking it from IDBI, and making it independent. Major recommendations of these two committees have been acted upon. Other recommendations will be pursued in the near future. To improve the credit flow to the SSI sector, RBI has already issued a circular to the commercial banks endorsing 35 out of 126 recommendations made by the Kapur committee report.

Taking into account the challenges being faced by the small enterprise sector through the opening up of the economy, globalization, need for increasing exports, and World Trade Organization (WTO) commitments, the S.P. Gupta Study Group made wide ranging and important

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recommendations, which have been considered by the Central Government in particular. A Group of Ministers was set up to examine the recommendations of the Study Group; and based on its recommendation, a number of policy decisions have been announced by the Central Government from the year 2000 to enable the small enterprise sector to improve its competitive strength to withstand global competition. These include measures for technology up gradation and modernization, improved credit delivery, increased marketing support, and a number of fiscal, financial and developmental measures.

Institutional Framework at State and National Level for Promoting Entrepreneurship

A comprehensive institutional frame has been evolved over years for promoting entrepreneurship, and for guiding existing entrepreneurs in the small enterprise sector at national and state levels. Organisations under the Ministry of Industry at the national level and those created at the state level cater to all categories of entrepreneurs interested in setting up small enterprises. These include S&T entrepreneurs, women entrepreneurs and those belonging to weaker sections. Apart from the Ministry of Industry; Science and Technology, Human Resource Development, Rural Development and other ministries at the Centre are also involved in encouraging entrepreneurship development efforts. A whole range of support services has been created at the state level for helping existing and prospective entrepreneurs. Involvement of banks and other financial institutions among existing and prospective entrepreneurs is of a high order. For providing special thrust and encouragement to first generation S&T background entrepreneurs, the Department of S&T at the national level has launched a number of programmes from the early eighties. Role and responsibility of technical educational institutions in innovation and entrepreneurship for creating a techno-entrepreneurial society has been emphasized. Entrepreneurship training and management training institutions and other educational organizations have been playing a key role in popularizing entrepreneurship as a career option and in providing the needed support to first generation entrepreneurs. Special mention may be made of the role of Centers /Institutes of Entrepreneurship Development (CEDs/IEDs) established in a number of states to conduct training programmes on entrepreneurship development extensively in various districts of the states covered by them, apart from providing counseling and escort services to trained entrepreneurs. Preparatory to training, training and post training follow-up, and provision of escort services are being pursued in various regions extensively by central and state level agencies as well as financial institutions, consultancy organisations, and specialised entrepreneurship development institutes at state and national levels.

Science and technology institutions and universities are being involved through special efforts of the Union Department of S&T. These are S&T Entrepreneurs Parks, Entrepreneurship Development Cells in various Engineering Colleges in particular, and S&T Entrepreneurship Development Project at the district level. These are still in the early stages. Lot more work needs to be done by institutions associated with Entrepreneurship Development Programme, and the programme needs to be extended to other institutions in a number of states and Union territories. For ensuring a greater degree of success, necessary follow-up measures need to be intensified. Field visits and further training needed for entrepreneurs promoted under the schemes should be paid adequate attention. Close monitoring and follow up of work of various institutions, and necessary back up support may be planned with the initiatives of apex entrepreneurship and management development institutes.

State level institutions have the advantage of reaching different districts and organising programmes in remote areas as well. Through networking of apex institutions with the state and district level bodies, support is to be extended by central institutions and all funding agencies to the state level institutes and implementing agencies. EDPs (Entrepreneurship Development Programmes) can be organised for ensuring a higher level of success rate. Growth oriented programmes are essential for entrepreneurs who have undergone preliminary training for setting up an enterprise. The curriculum should include changes taking place in the economic scenario and the competitive environment. The EDPs can be organised for product and process specialisation, export orientation, rehabilitation of sick units, enterprise growth, diversification, etc. Preparation of cases based on live experiences, and necessary background instructional material, will improve the quality of programmes.

Institutional Efforts for Promoting Self Help Groups, Voluntary Sector and Development of Micro Enterprises

Another direction of considerable significance for stimulating entrepreneurship efforts is group approach, particularly for weaker sections and poorer among women. Under the UNDP supported Trade Related Entrepreneurship Assistance and Development (TREAD) Programme for Women in which Government of India (Ministry of Industry-Department of Small Scale Industries, and Agro and Rural Industries), Small Industries Development Bank of India (SDBI), and the UNDP, the three partner institutions are making efforts to provide access to the fruits of development to the hitherto unreached segment of the poor. The programme started in 1996. Under TREAD, need-based grant would be given to NGOs by the Government through the SIDBI Foundation for Micro Credit (SFMC) mainly to promote healthy credit delivery system, training, capacity building of NGOs, and

Self Help Groups, etc. It is planned to train one lakh prospective women entrepreneurs under this programme. Work started in the initial phase with nine major cities in 1997. Hyderabad is one of the centres. The other centers identified are: Ahmedabad, Bangalore, Bhopal, Chennai, Delhi, Guwahati, Kochi and Kolkata. The six product-groups identified are: processed foods, collection and processing of minor forest produce, leather goods, readymade garments, coir, and handmade paper.

Under the programme, it is envisaged that an integrated package of assistance would be provided to micro finance intermediaries wherein GoI will provide grant support (up to one-third of the total project cost) for capacity building of intermediaries and end users of credit, while the remaining two-thirds of project cost is the loan requirement for undertaking income generation activities which will be supported by SLDBI. Non-governmental organisations (NGOs) assisting the poor are eligible for receiving such grant under TREAD. Under the scheme, women entrepreneurs in different regions of the country can take up any non-farm activity - industries, services and businesses - in a group mode through NGOs. Out of the grant of one-third of project cost, at least 70 per cent is to be utilised for the benefit of women entrepreneurs directly, and the balance 30 per cent of the grant is to be utilised by NGOs for capacity building. Need-based grant under TREAD is provided mainly for capacity building of implementing agencies, providing margin money and equity support in the form of interest free loan, product and market development, skill training, development of data base, acquisition of computer and operationalisation of information management systems, participation in exhibition and other marketing events, acquisition and creation of minimum essential infrastructure, conducting feasibility studies and payment of insurance premium on productive assets acquired by the beneficiaries. SIDBI entered into a MoU (Memorandum of Understanding) with GOI, to place TREAD programme for women on a permanent footing.

Rashtriya Mahila Kosh (RMK), sponsored by the Government of India (Department of Women and Child Development) was set up in 1993 with the objective of assisting women below the poverty line in undertaking income generation activities through provision of package of financial and other services, and encourages promotion of women SHGs. Its head office is in New Delhi. The main function of RMK is to provide credit for facilitating production and economic activities along with some support for training for skill upgradation. NGOs, women credit co¬operatives, and women development corporations operating on sound lines with at least three years experience can avail of short and long-term loans from RMK.

Rashtriya Gramin Vikas Nidhi (RGVN), established in 1990 with headquarters at Guwahati (Assam), as a non-profit society, is an organisational innovation in support of social action. Its sponsors are IFCI, IDBI and NABARD. RGVN aims to improve the quality of life of the poor or otherwise underprivileged rural and urban people through social action. It focuses action on groups, which are disadvantageously placed in society, but have the potential for pursuing socially and economically productive activities. Micro credit programme, also known as credit and savings programme has been extended. NABARD and SIDBI are providing support to this programme. RGVN extends financial and techno-managerial support to NGOs with a view to empowering them to implement income generation activities for the poor. NGOs in turn mobilise the collective strength of the poor in making them self-reliant. More than being just a credit programme, this intervention is targeted at bringing about intrinsic attitudinal changes within the communities in the effective use of credit and thrift in livelihood strengthening.

The poor may organise themselves into smaller groups of up to 20 persons, known as Self Help Groups (SHGs) to inculcate the habit of thrift and credit operations among themselves. SHGs may be organised in clusters of blocks/districts either by reputed voluntary agencies /NGOs and /or at the initiative of branch managers of banks - commercial, cooperative and regional rural banks. RBI advised commercial banks to actively participate in the linkage programme. The scheme has been subsequently extended to RRBs and cooperative banks. NABARD initiated the pilot project for linking SHGs with the formal banking system in February 1992. NABARD provides 100 per cent refinance to banks on their lending to SHGs/VAs/NGOs. A wide variety of support services is also extended by NABARD to all agencies involved in the promotion of SHGs.

Micro Finance Development Fund was set up by NABARD in 1999. This Fund will provide start up funds to micro finance institutions, and infrastructure support for training and systems management, and data building. Special emphasis will be placed on promotion of micro enterprises in rural areas set up by vulnerable sections, including women, scheduled castes, scheduled tribes and other backward classes. NABARD has set up a separate department called Micro Credit Innovations Department (MCED) at the head office, Mumbai; and Micro Credit Innovation Cells (MCICs) at the regional offices to meet the emerging challenges. At the head office, policy formulation and coordination with various agencies will be the focus, apart from monitoring the progress of SHG-Bank linkage programme, documentation, dissemination, etc.

SIDBI introduced the micro credit scheme in 1994. The performance of the pilot scale operations has been quite encouraging. Assistance extended under this programme through 125 pilot accredited NGOs covering over 123,000 poor women members over a period of four years, yielded satisfactory results. This has encouraged SIDBI to meet the challenge by taking proactive steps to enhance the flow of institutional funds to this sector. In November 1998, SIDBI launched the SIDBI Foundation for Micro Credit (SFMC) with the objective to finance millions of poor, particularly women. SIDBI, through the foundation, will directly assist on soft terms, NGOs and voluntary organisations with good track record, which in turn would extend micro credit to poor beneficiaries without the hassles of the existing financial system. The foundation will, therefore, promote an entirely new financial channel conducive to the needs and psychology of the poor borrowers. The initial earmarked fund of the foundation of Rs. 100 crore will benefit six lakh poor. SIDBI with the support of the Government of India and International Funding Agencies would endeavour to upscale the fund over a period. In the words of Smt. Ela Bhatt, Chairperson, SEWA (Self Employed Women's Association), Ahmedabad, and of the Women's World Banking, India chapter; the initiative taken by SIDBI to open up the formal financial sector to the informal sector rural poor by setting up of the foundation has started a quiet revolution for the micro finance sector in the country. Easy flow of micro finance through institutions operated by enlightened NGOs can significantly improve the implementation of self-employment programmes, in groups as well as for individuals.

Group approach has been extensively adopted in promoting income generation enterprises among the poor and the weaker sections, in particular, with women as one significant group under the overall financial support from NABARD and SIDBI; NGOs are being linked with commercial banks for making available credit to NGOs through commercial banks or even directly. In many states and districts, SHGs are being formed with the support of NGOs, which are linked to commercial banks, NABARD and SIDBI. Under rural development programmes including DWCRA (Development of Women and Children in Rural Areas), and the present SGSY (Swarnjayanti Gram Swarojgar Yojana), in which DWCRA has been subsumed, the impact of support given to SHGs has been quite visible. Focus in the recent periods is on organising marketing efforts and for technology upgradation, and diversification of activities for the groups associated with this programme.

Perspectives

Entrepreneurship promotion has to be more and more trade-specific, or product/process-specific, based on its relevance in different regions. From the generalist approach, entrepreneurship development institutions have to switch over to a more specialised role for training individual entrepreneurs or for developing equipping teams of entrepreneurs to take up ventures in groups in specialised product lines. The movement depends on the extent of technology absorption and adaptation in small enterprises.

Non-Governmental Organisations (NGOs) should be involved in a massive way to supplement the efforts of the government in a sustained manner to improve the living conditions of the vast rural masses through income generation enterprises. NGOs associated with these programmes have distinct advantages of being close to people in the planning and implementation of programmes. Support from the apex development financing institutions such as SIDBI and NABARD, needs to be mobilised for this purpose. Developing professional talent in NGOs through sustained training and follow up efforts is necessary. The tempo not only needs to be sustained and improved upon; it also needs to be reoriented to meet the challenges of the competitive environment in the small enterprises sector. Emerging opportunities need to be focused upon. Entrepreneurs have to keep in mind the growing complexities, and challenges of the future.

The motivation that makes a small enterprise to be competitive in its use of human and material resources needs to be brought out through the positive strategy of collective efforts of people, productivity and profits. The capability to rise above competition drives entrepreneurs to search for new ways of doing things, new markets to operate, and new products to offer. In the current day context, no entrepreneur can escape competition. In this context, successful entrepreneurial behaviour implies constant and continuous quest to be different, to perform better, and to exert more to ensure excellence. A successful entrepreneur must learn and strive to set his/her own standard of excellence. Entrepreneurs may be able to assess their strengths and weaknesses; become capable of maximising strengths and making their weaknesses redundant. Thus the major thrust of motivation needs to undergo change from stimulatory to sustaining and growth orientation.

Entrepreneurship development efforts need to be focused on economically lower and less privileged population, who constitute a much wider population group. The spread of education, particularly vocational education, skill development, technological up gradation and managerial training, and development of greater awareness of economic and social opportunities, apart from the creation of better infrastructural facilities in the environment in which they are placed, will enable economically weaker sections utilise entrepreneurial opportunities, relevant to their environment, much faster. TREAD programme for women in India, and other self-employment programmes focusing on women, as individuals or as groups, provide a very wide range of opportunities for women to take advantage of the entrepreneurial career. Mobilisation of women power for entrepreneurship and empowerment calls for sustained efforts over a long period to ensure that the coverage is sizeable in relation to the demand.

Emphasis in future periods cannot be limited to manufacturing type of enterprises alone. Service sector, agro, business, transportation, communication, and other rural micro enterprises will demand considerable attention because of the vast potential for dispersed pattern of development. Promotion of entrepreneurship in rural areas, tribal areas and backward regions has to be stressed to a great extent. The entrepreneurship development institutions should gear themselves up to meet this challenge of downward vertical thrust.

Challenges Facing the SE Sector, Tests in Growth and Survival of Enterprises and Future Directions

Definition of small scale industries, ancillary Industries and export-oriented industries was revised in December 1999. The present investment ceiling in plant and machinery goes up to Rs. one crore for these units; and for tiny sector units, the ceiling is Rs. 25 lakh. Rural industrialisation programme covers places up to 50,000 population, and includes micro, tiny and small scale enterprises situated in these places. Khadi and Village Industries Commission (KVIC) has defined village industries covered by its programme as those enterprises with per capita investment in fixed assets not exceeding Rs.50,000 per entrepreneur/artisan/worker, and situated in places up to 20,000 population (as per 1991 census).

In the context of liberalisation, privatisation, and globalisation, small scale entrepreneurs are facing a number of challenges. They have also experienced wider opportunities created by liberalisation. Entrepreneurs have expressed appreciation for the opening up of the economy by creating a competitive, market-friendly environment, and facilitating the process of integration with the global trends. The emerging forces of globalisation, deregulation and technology transfer as well as increasing and shifting demands of consumers are changing the contours of the SSI Sector.

While pursuing entrepreneurship development, it is not enough to think of promoting an enterprise alone. Growth and overcoming the problems faced from time to time are equally important. It is important to visualise the enterprise from a holistic viewpoint. Comprehensive theory of entrepreneurship encompassing all stages needs to be kept in view for formulating strategies, conducting training programmes, and devising monitoring, evaluation and escort services.

At the Entrepreneurship Development Institute of India (EDII), Ahmedabad, in a publication titled The Seven Business Crises, crisis stages of an enterprise in its life cycle are detailed as follows. Planning for survival and growth is a subsequent stage to be pursued by the enterprise.

1. The Starting Crisis
2. The Cash Crisis
3. The Delegation Crisis
4. The Leadership Crisis
5. The Finance Crisis
6. The Prosperity Crisis
7. The Management succession Crisis
8. Planning for survival and growth.

All the eight stages have been portrayed with live examples in the EDII publication, and also released as video cassettes. These will be of great relevance for existing and prospective entrepreneurs.

Suggestions

The following suggestions may be considered for intensifying entrepreneurship developmental efforts in future:

1. It is important to impart a combination of skill orientation and entrepreneurial competency for groups of persons with diverse backgrounds.
2. Promotion of industries, services and businesses in rural development programmes including specific programmes for women by adopting group approach.
3. Other self employment programmes including programmes for persons with science and technology background.
4. Involvement of NGOs, and professional and vocational training institutions.
5. Promoting interaction between academic/training institutions, and industry in the small scale, tiny and micro enterprise sectors.
6. Promoting group entrepreneurship or partnership compared to concentrating only on proprietary type of enterprises.
7. Promoting marketing entrepreneurship, and development of marketing organisations at the state level.
8. Marketing support is to be extended to trained entrepreneurs in a sustained manner.
9. Entrepreneurship should be an integral part of school education at plus two level, and in various professional, vocational and other advanced courses at different levels.

10. A structured orientation programme on Entrepreneurship Development of two to three days duration can be the first step to orient final year engineering / technology students, and final year post graduate students in science and technology. This capsule could be followed up by a regular EDP of six weeks duration to those short listed students who show potential to be transformed as entrepreneurs.

11. Adequate and timely credit being a key factor in catalysing entrepreneurship, it is highly essential to involve bank managers/SSI specialists from banks at the pre-training, training and post-training phases of entrepreneurship development programmes. Interface with bankers and promotional officers will enthuse prospective as well as existing entrepreneurs. Similarly, use of live cases from banks of SSI units financed or is under consideration, and experiences of first generation entrepreneurs will make the training programmes quite lively and instructive.

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RETENTION:
FOR AN EFFECTIVE WORK CULTURE

Puneet Jain

ABSTRACT

Every organisation uses various resources to achieve its mission like men, machine, materials, equipment and capital etc. since resources are limited, it is imperative that they should be properly and judiciously managed for optimum realization of organisational goals. Ultimately it is the human resources that prove decisive because it is they who uses and utilizes all other resources. They are the lifeline or 'DNA' of any organisation. In order to be successful every organisation should focus on its employee and must meaning fully contribute to nurturing their talent. If the employee turnover ratio is high, it does not bode well for the organisation. As it is observed that the cost of hiring and training new employees is much higher than retaining the older ones. The present article discusses the ways and means of nurturing and retaining talent so, that an effective work culture may prevail.

Key Words: *Employee, Retention, Industry*

INTRODUCTION

"The individual is the fountainhead of creativity and innovation……Only by releasing the energy and fire of our employees can we……Win in any business anywhere on the globe" Jack Welch

Today organizations increasingly understand the importance of talent management for an effective work culture and efficient work force; they need to develop more rigorous strategies if they are to implement talent management programs successfully. To maintain an edge in a competitive, global marketplace, organizations will have to be prepared both to look further a field for talent .Thus the Talent management strategy needs to be set at the highest level of the organization.It is my endeavour to identify the key strategies that help organization to retain talent. While the strategies are many and could vary from organization to organization, it is possible to reduce the long list to a short list of predominant strategies that may apply to all organizations. These factors can be understood by a framework called retention.

Framework of RETENTION

Each element of RETENTION framework is critical in shaping the culture necessary to sustain people. These are nine essential conditions that can stimulate employee to stay with the organisations. I propose that these nine issues need to be addressed in a holistic approach to manage attrition.

R - Recognise and respect people
E - Ethics and Value based approach
T - Trust and responsibility
E - Evolve a positive culture
N - Nourish their spirit
T - Transform thoughts
I - Invest in talent
O - Offer work-life balance
N - Nurture Creative Capital

Recognise and Respect People:

Intellectual capital needs to be appreciated and rewarded for their efforts. It is important to find out high flyers, diamonds and jewels of the organisation. Reward them amply and recognise them appropriately because it pays them huge dividends in long run. True recognition is a reward in it self. It is respectfully showing appreciation by recognising the work of another. It's powerful; it's inspiring; it's motivating. It promotes creativity and productivity better than anything else even money. Money is very close to recognition. When praise is offered with money and sincerity it instantly lifts spirits and encourages better performances leading to increased efficiency and inflated output. Studies have shown that appreciation in terms of monetary & non monetary mode (sincerely expressed) is the most important consideration for employees. Everyone wants to be appreciated and valued. Being recognised for good performance is essential to showing that appreciation in the workplace. Somebody rightly said **"Treat a man as he is, he will remain as he is, Treat a man as he can and should be, he will become as he can and should be."**

Expressed appreciation is a hallmark of good leadership. Hard work shows so does true appreciation. Giving recognition is the number one way to show sincere appreciation. Bonuses, raises, promotions and other benefits like free health insurance, free entertainment packages, free shopping coupons, paid holiday's etc are nice additional ways to express the appreciation of one's work; but they should not be offered as substitutes for recognition.

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Recognition should be equally expressed personally and publicly, and it should be accompanied by more than just words. It should not be used as a gesture disguised to increase one's responsibilities without increasing his/her compensation for the additional responsibility. Giving employees a choice of reward; rewards are as different as the people who receive them and it does not make sense to give recipients those awards that they don't find rewarding. Smart organisations are also letting employees choose their own rewards from reward menus and catalogues. Personalising rewards shows that a company cares enough to discover what "interests" each employee, rather those just distributing generic items.

Ethics and Value Based Approach

Integrity is a trait most employees want to see in their employer and vice-versa. People want to be inspired by good leadership. A mismatch between the moral standards of some employees and the unethical practices of the organisations lead to lower job satisfaction among individuals. When moral employees are required to engage in immoral behaviours, the productivity of the most competent and proficient workers will suffer most. This outcome should be extremely troubling to many organisations for two reasons; first companies generally earn a sizable portion of their revenues based on the highest efforts of their ablest workers. If those individuals aren't motivated, revenues and reputation could easily suffer; second, the most capable workers are usually the ones better able to find other jobs, dishonest companies bear a large risk of losing their best employees.

Dishonest companies should take particular note, though, because their turnover will be selective in nature. Thus, over time, an unethical corporation is likely to have employees who are disproportionately dishonest. Specifically, job seekers tend to be attracted to organisations with attributes that are congruent with their own personality profiles. For example, in the recent CII survey, 76% of the respondents said that their perceptions of the company's integrity would influence their decision about accepting a job there. A recent study done at the University of Chicago by Prof. Curtis Verschoor and published in Management Accounting found that companies with a defined corporate commitment to ethical principles do better financially than companies that don't make ethics a key management component.

Many companies are monitoring their employees at work which is associated with a host of mental of mental health problems, including high levels of tension, server anxiety and depression.

Trust & Responsibility

Provide workers with responsibility –and then let them use it. Most surveys show that the greatest source of employee pride and satisfaction is the feeling of accomplishment that comes from having and exercising responsibility. Here's the real bottom line: if you can't trust your employees to be able to think and act on their own, you probably shouldn't have hired them in the first place.

Many companies are monitoring their employees at work which is associated with a host of mental health problems, including high levels of tension, sever anxiety and depression. Employees are also more likely to experience physical disorders, when they perceive their organization's surveillance system as encroaching on their privacy. These types of physiological and physical ailments are linked directly to increased absenteeism, declining morale and thereby low retention.

The organisation must endeavour to remove all the above reasons so as to reduce this absenteeism from the work place as they disturb their focus and blur their vision. So the organisation must identify the inner potential of the employees and give them recognition and gives them responsibility. Sense of accomplishment comes by exercising responsibility. Martha Finney, an HR journalist and a consultant specializing in employee engagement says, "The feeling that they are working with people who share their mission and values; and that their company respects them as adults. From that simple staring place, anything can happen, for both the individual and the company itself."

EVOLVE A POSITIVE CULTURE

Research studies have indicated that a majority of successful organizations have their own unique organizational cultures. when there exists a great amount of clarity and common understanding about the culture of an organization, it helps in attracting and retaining people who inherently 'share' that basic line of thinking. It also greatly helps prospective employees to the make and intelligent decision about feeling comfortable the look, feel and smell of the place; Without any doubt, evolving, articulating and implementing 'people philology is one of the most important responsibilities of leaders. It is critical for an organization to articulate its own core 'people philosophy, preferably right at its inception and build HR processes around the same. Undoubtedly congenial environment helps employees in learning and growth. Being treated with courtesy by the management will encourage employees to treat the manger and other worker culture of politeness which rubs off in the way people behave towards each other within the company. It will be noticed by customers don't like the atmosphere when they go there, however good the product. It is important to foster deeper levels of commitment. To do so require your company to provide employees opportunity to utilize their skills, learn something new on the job and do meaningful work. It also means providing employees with impersonal leadership, a competitive pay package and effective communication.

NOURISH THEIR SPIRIT

In the organizations, people spend most of their active lives. Hence, it needs to be purposeful. There is every need that employees understand the worth of their lives in the workplace. At the same time, each employee needs to understand his/her own meaning of life and find out what gives them sustained satisfaction and happiness in life. Humans are essentially spiritual beings, evolved to ask fundamental question-"who am i?" "Where am I going?" "What do other mean to me?" It is an ability to answer question like these that lead people to balance their work schedule to spend time with their family. Authors Dana Zohar and Ian Marshall introduced new dimension to human intelligence. Spiritual Quotient (SQ) is the ultimate intelligence. This is the intelligence to solve problems of meaning and values. Change employees' thinking about themselves. Let them know the potential in them. Know Transform their negativity into positivity. ''Is my job giving me the fulfilment I seek?'' ''Am I relating to the people in my in a way that contribute to their happiness and mine?"

Organizations should try to develop spiritual intelligence of their employees. Spiritual intelligence is about the growth of a human being. It is about moving on in life and about having a direction in life and being able to heal ourselves of all the resentment we carry. It is thinking of ourselves as an expression of a higher reality. It is also about how employees look at the resources available to them. They can use spiritual intelligence to transform themselves and others, cope with grief, and move beyond conditioned habits of the past.

Only those managers can nourish the spirituality of their employees who are themselves nourished. These are the leaders whose approach is based on spirituality. SPIRITUAL Based leaders respect others and guided by the fundamental ethic: service to others comes before serving one's self. This fact is also supported by FLOY AGUENZA.

"I believe that people who are well balanced and spiritual make better employees. I spend a lot of time thinking about how to help nurture the spiritual growth of our people. So I decided I wanted to see how I could expose the employees of the bank to spirituality. Since they spend most of their waking hours in the bank, we must try to help them without sacrificing the objectives of the bank. We started with retreats as part of our people attends spiritual retreats as part of our training activities. The turnouts have been quite good with very positive feedback."- FLOY AGUENZA

TRANSFORM THOUGHTS

Change employees' thinking about themselves. Let them recognise the potential in them. Transform their negativity into positivity. Make them understanding that by serving the organization, there are actually serving the society and nation. Allow them to develop a favourable and positive image about the organization. Make them understand that they should display proper gratitude and rock solid belongingness towards their organization.

From an existential perspective, the raison d ere of organization is to serve human needs. Really, there is no other reason for their existence. Individuals and organizations grow when they dedicate themselves to others. Relationships improve when there is focus on serving the other, be it at the level of the individual, the family, the organization, the community, the society or all of humanity. There is cord of humanness that pervades a high performing workplace, where the employee attitudes are positive, interaction is less constrained and formal positions are less evident. A systematic kindness and sense of humour envelop of workplace, and a celebration of work is the normal order. There is a kind of tolerance for mistake by well intentioned employees trying to do things in a novel and unique way. The organization is providing an opportunity to him to fulfil the personal objectives through the employment. Hence, there in an imperative need for the employee to be beholden to an organization and express gratitude to the organization. Employee should show gratitude or express thanks to the organization as a minimum courtesy. When people say thanks for small things then how much amount of gratitude does an employee need to express to the organization which provides a platform to realize his personal meaning of life? One of the ancient Indian Seer (Bhartruhari) provides a beautiful example from the life of a coconut tree. A coconut sapling planted in your backyard, remembers the water the master provided and after it grows into a tree, converts in to pure and sweet water and holds it in heavy coconut fruits, it gives such fruits throughout its life, as an expression of gratitude to the person who fed water to it in its tender age. Noble people will never forget the help received from others throughout their life. If a coconut trees could teach us how to express gratitude, how we, the so called human beings, should absorb and implement it in our lives, particularly expressing it to the organization that feeds us.

INVEST IN TALENT

Companies are searching for innovative ways to develop talent. Therefore, they don't mind spending lacks of rupees in Training, Learning and sending their employees to attend programme on yoga and meditation such as Mind stilling sessions conducted at MCHV, Calcutta, and self managing leadership of Brahmkumaris, Vippasana Meditation, Raj Yoga, and Art of living of Sri Sri Ravishankarji.

Organizations that invest in developing their people, manage to retain them. Growth and Development opportunities that a company provides play a critical role in binding employees to the organization. Unfortunately, most companies don't manage employee development well. They need to fundamentally change the way they do this by accelerating development and making it happen everyday it means creating a better more deliberate match between people and their jobs to optimize both development and performance. It means encouraging frequent and candid feedback and mentoring. Perhaps most importantly, it means conducting manager training.

OFFER WORK -LIFE BALANCE

Employees are more than robots who turnoff at night. All of us have lives, interest and friends and family outside the office. Therefore, they are constantly struggling to cope with their busy schedules. In the competitive scenario of today, striking a balance between family and carrier is a common problem for all professionals especially as part of a dual career family. Therefore, companies are taking a number of steps to take care of this aspect. Maternity Leaves, Crèche and playground facilities for employees' children have been introduced by many organizations. This is a big help particularly for women. Cadbury has camera fitted crèche which helps working mothers to see what their children are doing.

Experts suggested flexi time as a perk that offers the most gain with least pain. Flexible timings are a norm in I.T. industry. "Give a little latitude in determining work schedules and to take time for family or personal issues (such as doctor's appointment and banking errands)," advised Richard Martin, president of Alcera Consulting Inc. "As long as the employee is deserving and doesn't abuse the privilege, this can go along way to building trusting and mature relationships with key workers."

Employee assistance programme globally is a multibillion dollar industry which uses specialized instruments have introduced counselling services for employees, organization even go one step further in involving families in a number of informal ways, apart from formal occasions like annual days and family days. Organizations should take up this issue seriously particularly if they want to retain talented employees in the workplace.

The work life at Infosys is tailored around the personal lives of the employees, not the other way round. All possible facilities are available onsite to all employees. The company which is like an extended family takes care of every individual's need, from seeing an employee through close relative's illness to celebrating special occasions together. A number of social events are organized regularly where both the employee and their families participate.

NURTURE 'CREATIVE CAPITAL'

In a speech at Harvard University in 1943, Winston Churchill observed that the empires of the future will be empires of the mind. He might have added that the battles of the future will be battle for talent. If we are able to create people who are committed to the welfare of the organization and trained and tuned to the requirements of organization then they will steer the organization towards its ultimate business goals and will help achieving excellence.

Somebody has rightly said, "A company is only as great as the people who work for it." People or people policies can make or break any business. When employees are encouraged to express their creativity, the result is a more fulfilled and sustained workforce. Happy people work harder and are more likely to stay at their jobs. Workplace stress stifles creativity of employees while it is the most required thing in today's time. According to James M. Kouzes and Barry Z. Posner, "We have minds and hearts. Both are to be used at work!" People take delight in being consulted and in being taken into confidence, as it make them believe that they are an important resource for their organisation.

Many companies give platform to their employees to give shape to there dreams, hold prayer and meditation sessions in the morning. Prayer groups are forming at workplace to discuss spirituality and faith based practices. Mind stilling exercises help reducing the tension and stress in the lives of the employees. Other exercises are visioning exercises, building shared values, active, deep listening, making action intention congruent, and using intuition and inner guidance in decision making. According to a study by Harvard Business School published in the Harvard Business Review, business owners credit 80% of their success to acting on their intuition.

CONCLUSION

To re-energise the corporation, leaders must learn how to master the art of combining skills and soul. HR managers need to understand and appreciate that each individual is unique and each one has certain uniqueness about them. We need to respect them for what they are value them. In the modern era of "digitalization", machines are being considered useless without motivated people to run them. The underlying philosophy is that companies which take into consideration human factor and provide opportunities for, and create conditions conductive to, development and growth of their people are likely to survive. Therefore, to survive into the 21st century, organizations must offer a great sense of meaning and purpose for their workforce. The great prosperity and wealth people enjoy today is, not account of their physical stature, nor due to their community, the virtues they possess, the academic excellence they have, People at all levels in the corporate hierarchy increasingly want to nourish their spirit and creativity. People want to find meaning and purpose in life. They want their work to reflect their personal mission in life. It can lead to increased productivity and profitability as well as employee retention, customer loyalty and brand reputation, according to a growing body of research. Today organizations increasingly understand the importance of talent management and for that they are developing more innovative and rigorous strategies.

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PASSENGER CAR OWNERS' PERCEPTIONS OF AFTER SALES SERVICE QUALITY OF SERVICE CENTERS: AN ASSESSMENT OF THE SERVQUAL DIMENSIONS

Vishal Srivastava

ABSTRACT

EThe service quality is a qualitative phenomenon; however it is quite important for the industry persons to survive in the market for long run with profitability. The passenger car market of is facing big challenge to retain their customer in this highly competitive environment. The After Sales Services (ASS) in this regard are playing very important role. This paper is trying to identify the major focus area on which the Passenger Car Service Centers need to work more seriously.

Key Words: *Passenger Cars, Service Quality, SERVQUAL, Reliability, Assurance*

INTRODUCTION

The Indian passenger car market was originated as the importer basically. It was the year of 1897, when first car ran on Indian roads. Nearly after fifty years of it, in 1945 the Mahindra & Mahindra was established as first Indian automobile manufacturing company. Now after a centaury time, the Indian passenger vehicle market ranks as world's seventh largest market which is larger than markets like UK, France and Spain (Ghosh A., Ray S., Dewan S., 2011). In 2010-11, the overall domestic passenger car sale was 1,982,702 units and 1,528,337 units in the 2009-10. For financial year 2011, the projected sale was of nearly 2.5 million passenger vehicles. As per the latest reports, submitted by ICRA, the Indian passenger vehicle segment will reach a sale of 48.6 lakh units by year 2015-16. As Automobile Industry in India is spectator of a huge competition, Most of the pinnacle four wheeler brands in India are launching new cars; car companies are now a day's more and more stressing upon giving better after sales service to its customers as compared to their competitors. As after sale service is becoming more important than product for customer decision making, because of this competitive environment most of the car companies are approaching to the strategy of increasing the service center and dealership network. (Dandekar T., 2011). Thus the marketing approach of the automobile sector shifted from production concept to relationship-related marketing. The service quality became the major factor to win the market. There are two types of service in passenger car market, where the organizations have their eyes- 'Car Features' & 'After Sales Services'. The Car-Features are quite rigid with the brand & variants therefore it is the part of presale. The 'After Sales Services' need a lot of customization & an innovation, as this part is majorly associated with pure service quality. In this study the author has focus on the After Sales Services priority identification of customers.

LITRATURE REVIEW

The service quality assessment is a subjective approach. A similar service's quality might be perceived at various levels by various persons. It is highly dependent on qualitative & demographical parameters. SERVQUAL is an instrument developed by Parasuraman et al. (1985; 1988), which is accepted by the wide range of scholars. The instrument is having flexibility to allow slight changes, as required, to measure the quality of service. This model was based on consumer perceptions of service quality; emerge from the gap between performance and expectations. As the performance exceeds expectations, quality increases; and as performance decreases relative to expectations, quality decreases (Parasuraman et al., 1985; 1988). Patrick Asubonteng, Karl J. McCleary and John E. Swan (1996) gave their understanding on service quality as-performance-to-expectations "gaps" on attributes that consumers use to evaluate the quality of a service.

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Service quality is linked to the concepts of perceptions and expectations (Parasuraman et al., 1985, 1988; Lewis and Mitchell, 1990). Customers' perceptions of service quality result from a comparison of their before-service expectations with their actual service experience. The service will be considered excellent, if perceptions exceed expectations; it will be regarded as good or adequate, if it only equals the expectations; the service will be classed as bad, poor or deficient, if it does not meet them (Vázquez et al., 2001).

Improvement in customer retention by even a few percentage points can increase profits by 25 percent or more (Griffin, 1995). The University of Michigan found that for every percentage increase in customer satisfaction, there is an average increase of 2.37% of return on investment (Keiningham & Vavra, 2001). The cost of gaining a new customer is ten times greater than the cost of keeping a satisfied customer (Gitomer, 1998). In addition, if the service is particularly poor, 91% of customers will not return (Gitomer, 1998).

SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. By the early nineties the authors had refined the model to the useful acronym RATER: Reliability, Assurance, Tangibles, Empathy, and Responsiveness.

RESEARCH OBJECTIVES

The objective of this study is to find out the most appreciable dimension of SERVQUAL scale to measure the After Sales Service quality. In accordance with this objective, the empirical survey encompasses the following objectives:

A. Assessing SERVQUAL dimensions that contribute to customer satisfaction, and

B. Assessing the dominant service quality dimensions that influence customer satisfaction in the passenger car sector.

HYPOTHESIS

The statistical hypothesis is:

Ho1: "All five SERVQUAL dimension contribute equally to the Customer Satisfaction."

H02: "Passenger car owner have similar preferences regarding service quality criteria of Passenger Car Service quality.

RESEARCH METHODOLOGY

The research design adopted for this study is descriptive study, where the researcher tried to evaluate certain hypothesis, in passenger car segment, referred from SERVQUAL model.

DATA SOURCES

The required data are gathered from various secondary & primary sources. The Secondary data has been gathered from various journals, like- Journal of Marketing, Journal of Retailing, Management Review, and Journal of Marketing Research; Annual Reports like-ICRA; Business magazines like 4P's, Business India and Business Today. The researcher has also referred to various websites that have previous research studies and empirical investigations. Whereas the Primary data was collected by structured questionnaire was constructed taking into account SERVQUAL dimensions such as Tangibles, Reliability, Responsiveness, Assurance, Empathy, and their twenty two measurement criteria in the form of statements. The research instrument is attached in Annexure I for itemized statements and scales.

SAMPLE SIZE DETERMINATION

The researcher considered the moderate trueness of sample i.e- 95% or $\pm 2\sigma$. The statistical sample size calculation considerations were:

P = 95% or ±2s

Q = 1-P or 5%

Z = 1.96 (For 95% confidence levels)

C = Confidence levels expressed as a decimal or 0.05

Sample size determination (For random selection from Infinite Population)

n = Z2.P.Q/ C2

or n = 1.962 X 0.95 X 0.05/0.052

n = 3.8416 X 0.0475/0.0025

n = 72.46 or

n ≃ **73**

SAMPLING PLAN

The 'Convenient-Non-Random' sampling plan has been applied for the study. The sampling was done from Delhi-NCR region of India. Specifically the Maruti, Honda & Hyundai Passenger car owners were considered for the study.

DATA COLLECTION

The data gathered from the Delhi-NCR passenger car owners. The data collected via active method & applied – 'Structured Systematic Questionnaire' survey tool. The researcher used rating scale & seven-point 'Likert-scale' to measure the attitude of respondents.

The format of the questionnaire was based on following principal-

Table No. 1: Format of Question asked to respondents

S. No.	Particular
1	The appearance of the Service Center's physical facilities, equipment, personnel and communication materials.
2	The Service Center's ability to perform the promised service dependably and accurately.
3	The Service Center's willingness to help customers and provide a prompt service.
4	The knowledge and courtesy of the Service Center personnel and their ability to convey trust and confidence.
5	The caring, individualized attention the Service Center provides its customers.

DATA ANALYSIS

Analysis methods used:

1. Rating Scale Method: To find out the most appreciated SERVQUAL dimension.
2. ANOVA: To calculate the similarity in perception of Service quality assessment.
3. Correlation Method: To find out the association of various dimension with service quality

Apart of these methods the researcher used various descriptive analysis tools to find out the central tendency & distribution of the population.

DATA FINDING

Contribution of RATER in service quality perception

The researcher made five statements to find out the contribution of all the five dimensions of service quality, prescribed by SERVQUAL model i.e. – RATER. The statements are as follows:

1. **TANGIBILITY:** The appearance of the Service Center's physical facilities, equipment, personnel and communication materials.
2. **RELIABILITY:** The Service Center's ability to perform the promised service dependably and accurately.
3. **RESPONSIVENESS:** The Service Center's willingness to help customers and provide a prompt service.
4. **ASSURANCE:** The knowledge and courtesy of the Service Center personnel and their ability to convey trust and confidence.
5. **EMPATHY:** The caring, individualized attention the Service Center provides its customers

The contribution was scaled on '100 Point Cumulative Scale' i.e. – percentage contribution of all the dimensions.

Table No-02: Scale to measure the customer perception

S. No.	Particular	Points
1	The appearance of the Service Center's physical facilities, equipment, personnel and communication materials.	
2	The Service Center's ability to perform the promised service dependably and accurately.	
3	The Service Center's willingness to help customers and provide a prompt service.	
4	The knowledge and courtesy of the Service Center personnel and their ability to convey trust and confidence.	
5	The caring, individualized attention the Service Center provides its customers.	
	Total Points	100

Table No-03: Sample Descriptive

		TANGIBILITY	RELIABILITY	RESPONSIVENESS	ASSURANCE	EMPATHY
N	Valid	72	72	72	72	72
	Missing	0	0	0	0	0
Mean 25.69		18.13	18.26	15.21	22.85	
Std. Error of Mean		1.232	.788	.960	.956	1.157
Median		30.00	20.00	20.00	10.00	20.00
Mode 30		20	20	10	20	
Std. Deviation		10.458	6.684	8.143	8.112	9.816
Variance		109-370	44.674	66.310	65.801	96.357
Skewness		.799	.434	1.409	2.353	.651
Std. Error of Skewness		.283	.283	.283	.283	.283
Range		50	35	45	45	45
Minimum		10	5	5	5	5
Maximum		60	40	50	50	50

THE CENTRAL TENDENCY:

- The maximum contribution is of TANGIBILITY as suggested by the mean value ($\bar{x}$ = 25.69%) followed by EMPATHY ($\bar{x}$ = 22.85%), RESPONSIVENESS ($\bar{x}$ = 18.26%), RELIABILITY ($\bar{x}$ = 18.13%), and ASSURANCE ($\bar{x}$ = 15.21%).
- The above statement is also supported by mode (TANGIBILITY, RELIABILITY, RESPONSIVENESS, ASSURANCE and EMPATHY dimensions are- 30, 20, 20, 10 and 20 respectively) & median (TANGIBILITY, RELIABILITY, RESPONSIVENESS, ASSURANCE and EMPATHY dimensions are- 30, 20, 20, 10 and 20 respectively) also.

THE SAMPLE CHARACTERSTICS:

- The stat suggests that the perception for TANGIBILITY, RELIABILITY, and EMPATHY dimension is strict-normally distributed among population where for RESPONSIVENESS and ASSURANCE the perception is moderate and liberally positively skewed.
- The distribution of perception about RELIABILITY is normal (Mesokurtic; k = 0.631), whereas for TANGIBILITY (k= 1.978), RELIABILITY (k= 3.421), RESPONSIVENESS, ASSURANCE and EMPATHY are found Lepokurtic.

6.2 The Distribution of preference among population uniformity

To test this, researcher used one-way ANOVA test. The findings are as follows:

Table No-04: Frequency Table of Service Quality Dimensions

	TANGIBILITY		RELIABILITY		RESPONSIVENESS		ASSURANCE		EMPATHY	
	Count	%	Count	%	Count	%	Count	%	Count	%
5			1	1.4%	1	1.4%	1	1.4%	1	1.4%
10	11	15.3%	21	29.2%	23	31.9%	41	56.9%	12	16.7%
20	21	29.2%	42	58.3%	41	56.9%	26	36.1%	37	51.4%
30	33	45.8%	7	9.7%	3	4.2%	2	2.8%	11	15.3%
40	4	5.6%	1	1.4%	3	4.2%			10	13.9%
50	1	1.4%			1	1.4%	2	2.8%	1	1.4%
60	2	2.8%								
Sum	72	100.0%	72	100.0%	72	100.0%	72	100.0%	72	100.0%

Table No-05: ANOVA: Single Factor

SUMMARY

Group	Count	Sum	Average	Variance
5	5	4	0.8	0.2
10	5	108	21.6	145.8
20	5	167	33.4	88.3
30	5	56	11.2	161.2
40	5	18	3.6	15.3
50	5	5	1	05
60	5	2	0.4	0.8

ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	49008.743	6	818.1238	13.89679	2.83E-07	2.445259
Within Group	1648.4	28	58.87143			
Total	6557.143	34				

The F-Value is much higher than F critical value (thus null hypothesis rejected), reflects that perception about the contribution of different dimensions is not uniformly distributed within the population.

RESEARCH INFERENCE

The data analysis suggests that-

1. All the five dimensions of the SERVQUAL model of service quality are not uniformly contributing in the assessment of Service Centers' service quality.
2. The TANGIBILITY is recorded as most considered, where as ASSURANCE least is considered dimension of Service Centers' service quality.

LIMITATION OF STUDY

The study was conducted with 72 respondents only, which is a major limiting factor. Therefore, the findings can't be generalized to all the passenger cars' service centers as well for all passenger car owners also.

Moreover, the demography of the sample also can't be generalized for whole population. The demographic variability contribution also affects the finding in significant level for which further research can be conducted. The study is based on only five dimension of SERVQUAL, the further study can be conducted with involving more number of dimensions also.

CONCLUSION

As per the study, it is the physical appearance & other service support tangible, which matter a lot for the customer to perceive the service quality of the service centers. Moreover, the way of communication & feel of care are also strongly associated with service quality perception. The study suggests that all the SERVQUAL dimensions are quite important for service quality assessment, but one can not treat all the dimensions equally.

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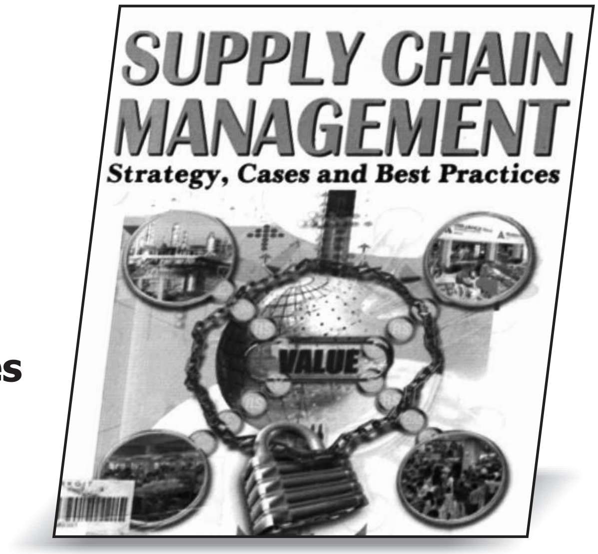
Book Review



SUPPLY CHAIN MANAGEMENT

Strategy, Cases and Best Practices

By Prof. D.K. Agarwal
Publisher: Macmillan Publishers India Ltd.
Edition: 1st 2010, **Pages:-** 430, **Price-**395
ISBN 13: 978-0230-32872-3
Reviewer: Mr. Anchal Rastogi

The discipline of supply chain management has advanced from warehousing, material handling and transportation dock to the boardroom of leading global enterprises. With the transformation of the business scenario and revolutionary innovations in the field of science and technology, there has been transformation in the way in which corporate world realigned their functions and activities. These transformations in the integration of various functions have given impetus to the concept of supply chain management. As a future manager management students need to know the ways of optimum utilization of resources thereby generating an edge in the market through price reduction and simultaneously generating profitability for their firm. This book provides comprehensive knowledge related with various components of supply chain management.

This book encompasses of all the theoretical concept of supply chain management with nineteen detailed examples on best practices prevailing in the industry. Sixteen chapters of the book deal in-depth with various functional areas of supply chain management viz. strategic supply chain management, value information, order management, demand forecasting, inventory management, warehousing, material handling, transportation, procurement, vendor management, outsourcing logistic services, supply chain integration and information technology. The six case studies at the last of the book makes student clear in concept and enable him/ her to develop a better insight on this going field of supply chain management.

The first chapter of the book provides an overview on the supply chain management, its evolution, issues and challenges and also Indian scenario. Similarly chapters on demand forecasting, inventory management, warehousing, material handling, transportation, procurement and vendor management makes a student get familiar with various method and techniques prevailing in each field using simplest possible language. The book should include more numerical through examples and exercises.

This book written for management students of Indian universities and management institutions would prove to be sea of knowledge for both MBA and PGDM students. The book would also prove to be reliable and informative for research scholars, academicians as well as practicing managers. The author has endeavored to provide a firm grounding in principles, techniques and practice of supply chain management.

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A VERY WARM WELCOME
TO PROFESSOR FURQAN QAMAR

Vice Chancellor Central University of Himachal Pradesh, India

Professor Furqan Qamar appointed founder Vice chancellor of Central University of Himachal Pradesh on 20th January 2010. He was the Vice Chancellor of the University of Rajasthan at Jaipur. Dr. Qamar also served as Adviser (Education) in Planning Commission, Government of India.

Dr Qamar did his Ph.D. (1989) from the University of Lucknow on "Financial Management in Universities in India" and completed his Masters (1981) from the Canning College of the University of Lucknow in first Division and first Position in the University. He obtained his Bachelors degree (1979) from the Lucknow Christian Degree College of the University of Lucknow in first Division and first position in the college and fourth position in the University. He stood first in High School and Intermediate examinations of UP Board. Born in 1960 in the village Bahariabad of the district Ghazipur (UP), he had his early education in the village primary school and the rest his schooling in government aided schools and higher studies in public institutions at Lucknow.

Beginning his career as a Teaching Assistant in the Lucknow Christian Degree College (1981-1982) and later as Junior/ Research Fellow (1982-84) at the University of Lucknow, Dr. Qamar was appointed as Lecturer in Commerce in the Department of Economics of Jamia Millia Islamia in 1984, where he rose to the position of Professor & founder Director of the Centre for Management Studies. Professor Qamar did the Advanced Management Programme (AMP 2005) at the Clare College, Cambridge and held the position of Professor in the Abu Dhabi campus of the Southeaster University and also at Al Bayan University during 1995-98. He has delivered lectures at National College of Science & Technology (now Al Dhoffar University) at Salala in Oman and also at the University of Applied Sciences, Erfurt, Germany.

With keen research interest in public policy in higher education, Professor Qamar has been actively engaged in research and has published in journals of repute on such themes as educational planning and administration, financing of education, cost savings and resource use efficiency in education and quality and excellence in higher education. Prof. Qamar has chaired and been members of a large number of committees constituted by the Ministry of Human Resource Development (MHRD), University Grants Commission (UGC), and Government of Delhi etc. I welcome and wish you continued success on behalf of the RKGIT, Ghaziabad.

Dr. Vinay K. Srivastava

ABOUT THE CHIEF EDITOR

Dr. Arvind Singh born in Ghaziabad is the Chief Editor of the Journal. He is heading the MBA institute of RKGIT, Ghaziabad as Principal. He has more than 20 years of experience of industry and academia. He did his Ph. D from CCS University, Meerut. He earns his master degree in management from IMT Ghaziabad and Master in Commerce from CCS University. He is a very good administrator and academician. His area of interest for teaching is Accounting and Finance specialization. Prof. Singh has many publications to this credit in the form of books, research papers, articles etc. He has published 10 research papers in reputed journals and presented 7 papers in National & International seminars. He has supervised over 100 research project report of MBA students. He has organized several seminars including Inclusive Growth & Innovative Practices in Management. He is associated with many professional bodies. The Executive Member of Ghaziabad Management Association, Member of All India Management Association and member of Indian Society for Management Development and Research. He is supervising four Doctoral theses.

ABOUT THE EDITOR

Dr. Vinay K. Srivastava is working as Associate Professor of Finance in RKGIT, Ghaziabad. He has more than 12 years of experience of industry and academia. He holds Ph. D from Department of Commerce and Business Administration, University of Allahabad. He received his Master of Commerce from University of Allahabad and Master of Business Administration from UP Rajarshi Tandon Open University. He is the founder Editor of SAARANSH: RKG JOURNAL OF MANAGEMENT. Prior to RKGIT he has served several prestigious institutions like Invertis Institute of Management Studies, Bareilly and Teerthanker Mahaveer Institute of Management & Technology, Moradabad; both are affiliated to Gautam Budha Technical University, Lucknow, and Department of Commerce and Business Administration, University of Allahabad, as a Guest Faculty. During the last 4 years at RKGIT as a faculty, he has held various positions like coordinator of Research Cell, coordinator Examination Cell, member Anti Ragging Squad and member Discipline Committee. He is visiting faculty of Dr. K. N. Modi University, Newai, Distt. Tonk, Rajasthan and Mewar University, Gangrar, Chittorgarh, Rajasthan. He is approved Ph D. supervisor of Mahamaya Technical University, Noida.

His area of interest for teaching is Financial Management, Investment Management, and Business Statistics. He regularly contributes articles and research papers on Market Efficiency, Risk Management, Stock Market Integration, and Corporate Finance in international and national journals. He has published more than 45 research papers and articles at various national and international journals and He has also participated and presented 25 papers in national and international conferences and seminars. He has supervised over 100 research project report of MBA students and supervising one Doctoral thesis. He is author of a book 'Privatisation of Public Enterprises in India'.

He is associated with many professional bodies which include life member of Indian Accounting Association, and Institute of Public Enterprises Research, Allahabad and member of SCOPE, New Delhi. He is honorary Secretary and life member of Indian Society for Management Development and Research (ISMDR). He is the Managing Editor of ARASH: A JOURNAL OF ISMDR and Guest Editor: Advances in Management. He is reviewer and member of editorial board of Journal of Business Studies, SBS College, Delhi University, Journal of Business Solution, RBMI, Bareilly, in the areas finance, economics and general management. He has prepared study material for MBA program on Management for Mahatma Gandhi Antarrastriya Hindi Viswvidaylaya, Vardha, Maharastra.

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