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SAARANSH

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Contents

An International Bi-annual Refereed Research Journal

Founder
(Late) Sri Raj Kumar Goel

Commandment
from the Founder

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

अज्ञानेनावृतं ज्ञानं।
श्रीमद भगवत गीता अध्याय 5, श्लोक.15

Aims and Scope

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

Amul

KAIRA DISTRICT CO-OPERATIVE MILK PRODUCERS' UNION LTD.
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MANAGING DIRECTOR

January 28, 2013

MESSAGE

It is indeed a matter of pleasure that RKG Group of Institutions is publishing an international research journal on management SAARANSH RKG JOURNAL OF MANAGEMENT. I am sure that the publication of journal will continue to go a long way and will emerge as a renowned referred journal.

I extend my heartiest congratulations to the editorial board and hope that this effort will be beneficial for developing the academic and professional output.

Rahul Kumar

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

Learning is the tendency to mould behavior based on different experiences. It is a lifelong process of gaining knowledge and experience, which brings relatively permanent changes in the behavior of learner through experience and practice. It involves a change in knowledge, skills and attitudes, though not necessarily improvement in behaviors. Learning may be good or bad from the organization or firm's point of view. The very important part of the learning process is that change must be relatively permanent. Temporary changes may be only reflexive and fail to present any learning.

Learning from the view of management is acquisition of knowledge, skills and expertise and reinforcement strengthens and intensifies certain aspects of ensuring behavior. Reinforcement is an important part of learning process. Reinforcement is a process by which an external reinforcer produces and maintains a behavior. Reinforcement increases strength of response and tends to induce repetitions of the behavior that precedes the reinforcement. Reinforcement generates a reproducible behavior process in time and usually it intensifies and enhances that behavior afterwards. The positive reinforcement model is based on two principles, employee perform in ways that they find most rewarding to them; and by proper reinforcement it is possible to improve performance.

The learning and development of employees of the firm have been long recognized by Industry-academia at large. The reactions or response to the learning is differing from individual to individual. The internalities indicate the friendliness and openness level of an individual. Employee's common behavior patterns and preferences can be seen and described by the results they achieve through the learning process. The efficient and effective learning models should address the learning style and behavioral state mind of employees. The human nature as such is socialistic and he likes to learn in the social friendliness. This would directly affect their change in the behavior style. The change in behavior of an employee can be viewed and measured definitely through the performance of the firm. Hence, administrator of the firm has to develop a Learning Centered approach.

The present issue of SAARANSH emphasizes the role of demography in management. The paper examines the behavior of bank managers towards internet banking operations. The issue includes an article on motivational determinants of entrepreneurial career choice. A paper of Satnam Kour Ubeja and Prof. D D Bedia examines customer satisfaction on sales promotion mix in shopping malls of Indore city.

Our journal has come a long way since its inception and I would like to thank, the eminent scholars, researchers and academicians who have contributed in making this possible. Hope this relationship continues the same way in future. I would also like to thank everybody who referred this journal in any respect. I would like to extend my gratitude to our reviewers who contributed immensely in making SAARANSH a comprehensive and resourceful journal.

Prof. Arvind Singh

From the Desk of the Editor....

Education plays the most important role in the development of the country. Technical education in India started in the mid nineteenth century and gained momentum in the 20th century with the set up of Constitution of Technical Education Committee of the Central University Board of Education (CABE) in 1943; Preparation of Sergeant Report in 1944 and formation of All India Council of technical Education (AICTE) in 1945. After independence the major concern for the government was the development of technical education so as to make the country competitive and to propel it on the path of industrial development.

The last year was a mixed year for the higher education sector as several positive and negative developments took place. The newly created IITs and IIMs started their operations. The University Grants Commission decided to give more autonomy to state universities in the appointment of Vice Chancellors. The All India Council for Technical Education started an email service for grievance handling against educational institutions. The second half of the year saw major changes at the policy level with the Cabinet reshuffle. The Cabinet and State Ministers in the Union Ministry of Human Resource Development were changed. With every Cabinet reshuffle the HRD policies also changed.

With 2012 almost nearing to its end, one can only hope for a constructive and fruitful 2013 for higher education space. The New Year will see 12th Five Year Plan being implemented and a good amount of money has already been earmarked for the sector. The year will bring fresh hope which will see a sea of changes taking place in the sector and if the Bills which are pending in the Parliament get passed, they would change the face of the Indian Higher Education sector completely.

SAARANSH has enjoyed a long and fruitful association with learned people. The present issue includes papers on various facets of management. The paper of Prof. R D Sharma examines the behavior of bank managers towards internet banking operations. Dr G C Dangwal attempts to make a comparative study of the occupational motivation of entrepreneurs and non-entrepreneurs. Prof. Raj Kumar has analyzed the inflow of FDI and GDP of India. Prof. Satnam Kour Ubeja and Prof D. D. Bedia investigate the effects of sales promotion mix on customer satisfaction in shopping malls of Indore city.

I am extremely beholden to Shri Rahul Kumar, Managing Director of Amul Dairy, for sparing his valuable time for scripting his message for the journal.

I would like to take this opportunity to thank all the authors who have contributed in the success of this journal. I also extend my heartiest gratitude to all the experts who helped us by means of assessing research papers and making critical comments and suggestions. I look forward to your valuable suggestions and contributions.

Wishing you a very happy new year.....

Vinay K. Srivastava

ROLE OF DEMOGRAPHY AND EXPERIENCE ON INTERNET BANKING

R.D. Sharma* **Shiffu Abrol****

ABSTRACT

Ongoing globalisation and increasing use of new technologies forced the banks to launch new channels to gain competitive advantage, reduce costs, improve financial services, enlarge customer databases, better s financial positions through innovative products and services and to boost their general customer loyalty. Thus, banks are switching to multi channel distribution of financial services through internet. This paper studies the impact of demographic background and work experience of bank managers on internet banking on the basis of data gathered from both public and private banks operating in Jammu city. The results, showing insignificant mean differences in the mean scores of respondents belonging to different age groups, educational backgrounds and length of duration of service with a bank, indicate quite positive inclination of managers for internet banking.

Keywords: *e-banking, Internet, Banking Industry, ATM*

INTRODUCTION

The paper examines the behaviour of bank managers towards internet banking operations. The banking industry has been significantly influenced by evolution of technology and its influence on the customers. The growing applications of such computerised operations reduced the cost of transactions and increased the speed of service substantially (Hannan and McDowell, 1984; Gourlay and Pentecost, 2002). It is in this context the evolution of banking technology has been mainly driven by changes in distribution channels with the extensive use of over the counter (OTC) facility, automated teller machine (ATM), phone banking, tele banking, Pc-banking and most recently internet banking. Thus, to extend internet based financial services, bank managers not only need to understand the relevant technology, but also to understand financial services which they are offering through this system. Internet banking is a useful delivery mechanism in banking system that offers less waiting time and is more convenient than traditional branch banking (Sharma and Abrol, 2011), significantly lowering cost structure. This delivery channel deserves special attention owing to its enormous potential from the view point of all concerned quarters including banks, businesses and retail customers. Thus, such studies provide lot of insights to both bankers and academics as ultimately a win-win situation emerges with better business to bankers and high satisfaction to customers.

REVIEW OF LITERATURE

Safeena et al (2010) identified the factors influencing the consumer's adoption of internet banking in India on the basis of data collected from 116 college students and found majority of male customers having positive attitude towards internet banking. Kasheir et al (2009) also studied factors affecting continued usage of internet banking and found demographic variables having no significant effect on the same. Kaleem and Ahmad (2008) studied banker's perception of electronic banking in Pakistan and found bank employees, who have professional degrees, having taken 'minimising transaction costs' and 'reduction in HR requirements' as the most and the least important benefits of electronic banking respectively. They also observed further private bank employees, who had master or bachelor degrees and less than 10 year experience, having perceived 'time saving and minimising inconvenience' as the major benefits of electronic banking. Similarly, they observed branch managers, directly responsible for the operations, took 'facilitates quick response' as the most important benefit of electronic banking. Singhal and Padhamabhan (2008) examined customer's perception towards internet banking and found male customers of average age of 30-40 years as maximum users of internet banking. Chang (2005) analyses the customer behaviour in Korea and found internet banking influenced by sex, age, marital status etc. Shergill and Li (2005) studied internet banking consumer behaviour and found womens more concerned with privacy, protection and ethical standards of banking transactions than males. Mattila et al (2003) found both income as well as education having a significant effect on the adoption of internet as a banking channel. Back et al (1991) observed the growth of computer and its usage as one potential area of intimidation for older adults and as such they have a less favourable attitude towards computers than their younger counterparts. Thus, all this indicates the necessity of the study to examine impact of demographic variables such as gender, age, qualification and length of service of bank managers on internet banking.

OBJECTIVE & HYPOTHESES

The main objective of the study is to find out the effect of

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Table: 1 Demographic Profile of Bank Managers

Respondents Profile	Number	Percentage
Male	98	68%
Female	46	32%
Above average age	85	59%
Average age	4	2.8%
Below Average age	55	38.2%
Graduate	62	43%
Post Graduate	42	29%
Professionals	40	28%
0-5 years of experience	22	15.27%
5-10 years of experience	11	7.64%
10-15 years of experience	14	9.73%
15 and above of experience	97	67.36%

Table: 2 Split Half Reliability

	Before Factor Analysis	After Factor Analysis
Group 1	4.34	4.35
Group 11	4.31	4.33
Cronbach's Alpha	0.965	0.919

Table: 3 Process of Data Reduction

Rounds	Variance Explained	Items Emerged	No. of Factors Extrac-ted	Iterations	No. of Items Deleted	KMO	Bartlett
1	77.692	100	23	75	36	0.776	12338.45
2	74.452	64	16	56	8	0.838	6466.14
3	75.461	56	15	19	6	0.8333	5562.88
4	76.538	50	14	38	2	0.837	4909.55
5	75.793	48	13	10	2	0.838	4698.92
6	74.934	46	12	13	1	0.838	4518.71
7	75.194	45	12	10	1	0.838	4381.14
8	75.486	44	12	8	1	0.836	4225.67
9	74.475	43	11	8	1	0.840	4185.40
10	74.879	42	11	8	1	0.836	4054.86
11	75.255	41	11	8	1	0.837	3904.23
12	74.277	40	10	8	10	0.842	3871.95
13	76.202	30	8	8	-	0.846	2922.38

demographic factors like gender, age, education and length of service of bank managers with regard to usage of internet banking. Within the framework of research gap so extracted from the ongoing review of literature, the following hypotheses and objective have been formulated.

H1: There is insignificant difference in the perceptions of males and females with regard to usage of internet banking.

H2: Respondents belonging to different age groups do not differ with regard to usage of internet banking.

H3: There is insignificant difference in the perceptions of respondents belonging to different educational backgrounds with regard to usage of internet banking.

H4: Respondents having a different length of service with a bank do not differ with regard to internet banking.

Table 5: Gender Wise t-test

Gender	N	Mean	S.D	Mean Differ-ence	t-value	sig	F	Sig
Male	98	4.25	.534	-.187	-.270	.008	5.796	.017
Female	46	4.44	.288					

Table 6: Age wise ANOVA

	Sum of Squares	Degree of Freedom	Mean Square	F	Sig
Between Groups	8.470	34	.249	1.134	.307
Within Groups	23.949	109	.220		
Total	32.419	143			

Table 7: Qualification wise ANOVA

	Sum of Squares	Degree of Freedom	Mean Square	F	Sig
Between Groups	.089	2	.044	.194	.824
Within Groups	32.330	141	.229		
Total	32.419	143			

Table 8: Length of service wise ANOVA

	Sum of Squares	Degree of Freedom	Mean Square	F	Sig
Between Groups	.151	3	.050	218	.884
Within Groups	32.268	140	.229		
Total	32.419	143			

DATA COLLECTION

The data for the present study have been obtained from both secondary and primary sources. The secondary data available in the various journals such as Journal of Internet Banking and Commerce, Journal of Banking and Finance, Journal of Marketing, E-service Journal, different books and internet has been used at appropriate stages of the study. The primary data were collected from bank managers in Jammu city. In all 173 managers of different banks operating in Jammu city were contacted, out of whom 144 responded properly.

Table: 4 Factorial Profile of Online Banking

Variables	Mean	S D	Factor Loadings	Eigen Values	% of Variance Explained
Factor 1: Perceived Usefulness				10.207	16.381
Helps to accomplish tasks quickly	4.40	.83	.797		
Improves job performance	4.44	.87	.762		
Enhances effectiveness of job	4.50	.70	.771		
Easier to do job	4.53	.70	.773		
WWW useful	4.39	.85	.712		
Transaction is advantageous	4.36	.86	.667		
Various information's are easily available	4.34	.80	.600		
Enhances effectiveness in banking career	4.45	.80	.657		
Factor 2 :Trust				3.609	12.565
Bank has strong commitment to security measures	4.56	.59	.801		
Bank ensures that transaction information is protected during connection	4.51	.61	.801		
Banks web page offers all the relevant information about all products & services.	4.44	.70	.769		
Bank does not allow any third person to access customer's personal information	4.54	.74	.828		
Bank's login process is secured	4.48	.83	.658		
Factor 3 :Customer Satisfaction				2.048	11.373
Website provides clear transaction and price information	4.31	.86	.772		
Website provides accurate and upto date information to its customers	4.40	.78	.697		
Website provides privacy and security to customer transaction	4.48	.70	.723		
Website deals with customer order fast enough	4.32	.76	.655		
Customers are satisfied with online payment system	4.33	.83	.734		
Factor 4 :Commitment				1.754	10.333
It pays of economically to be a customer of your bank	4.09	1.08	.758		
Customers are committed to buy from your bank	3.97	1.20	.898		
Commitment is due to reasonable price of bank	4.05	1.04	.759		
Customers are committed because of bank's performance	4.12	.97	.799		
Factor 5: Better Facilities				1.507	6.983
Bank's deposits have been increased by using online system	4.02	1.08	.862		
Banks profits have been increased by providing facilities to customers	4.01	1.09	.846		
Factor 6 :Service Quality				1.400	6.294
Bank has upto date equipment and technology	4.40	.71	.886		
Bank provides online services to its customers.	4.53	.61	.864		
Factor 7 :Perceived Ease of Use				1.268	6.166
Finds interaction with web pages clear & understandable	4.31	.70	.866		
Finds easy to become skilful at navigating the web pages	4.34	.70	.852		
Factor 8: Profitability				1.067	6.106
Administrators can quickly determine the profitability of major customers	4.31	.76	.792		
Administrators can quickly determine the profitability of various schemes	4.33	.78	.717		

SCALE GENERATION

The primary data were collected through specifically developed schedule on the basis of the available literature (Mc. Knight et al, 2002; Morgan and Hunt, 1994; P.Munhurrun and P.Naidoo, 2000 etc) and discussion with subject experts. It comprised of 8 items of general information, 13 items of peripheral services that banks provide to their customers and 100 items based on 5 point Likert scale (5 ←--→1) i.e ranging from strongly agree (5) to strongly disagree (1) (Malhotra,2008, p.274) covering the entire research domain of internet banking.

Data Purification

The multivariate data reduction technique of factor analysis has been used with the help of 17.0 version of SPSS, which is most appropriate as it involves the study of interrelationships among variables in an effort to find a new set of variables fewer in number than the original variables (Stewart, 1981). The study used principal component analysis with a varimax rotation, as the basic purpose was data reduction, i.e., obtaining scores on a large set of measured variables and reducing them to scores on a smaller set of composite variables that retain maximum information from original variables (Fabrigar et al., 1995). Also for describing the underlying factor structure, the eigen value equal to or more than one criterion has been used to determine the number of components to be extracted for further analysis (Alfansi and Sargeant, 2000;). The test of appropriateness of a factor analysis has been verified through KMO measure of sampling adequacy, where value greater than 0.50 is acceptable, between .50 to .70 is mediocre and .70 to .80 is good, .80 to .90 is great and above .90 is superb (Malhotra 2002, p. 455), which indicates its relevance for further analysis. Further, Bartlett test of sphericity, which is also known as zero identity matrix, has been used to determine correlation among the variables (Hair et al. 1995, p. 374). EFA was carried out overall. During EFA, 70 items in all from all the latent constructs having communalities below .50 and with factor loadings less than 0.5 were deleted leading to the emergence of 8 factors with 30 items retained (Table: 3).

PROFILE OF RESPONDENTS

As already stated, the survey was conducted for the study by gathering primary data from 144 bank managers of both public and private banks operating in Jammu city. Out of total respondents, 68% are male and the remaining are female. The respondents have also been categorised into three heads viz. Below average, Average and Above average. The average age of respondents came up as 44 years and more than half i.e 59% respondents fall in above average age. About 43% respondents are graduate, followed by post graduate (29%) and professional (28%) (Table 1). Majority of respondents are from J&K bank because of its larger number of branches as compared to other banks. Also majority of respondents i.e 67% have working experience of more than 15 years with their respective banks.

SERVICES PROVIDED

Almost all the banks in Jammu city viz. SBI, PNB, UBI, CANARA, J&K, ICICI and HDFC bank provide ATM, credit card, debit card, electronic transfer, tele banking, internet banking, 24 hours banking, anywhere banking facilities to their customers. Approximately 50% of respondents find their bank providing facilities for stocks /shares, foreign exchange. Majority of the respondents observe that with the development of ATM, debit card, credit cards and electronic funds transfer, the respective bank branches have withdrawn home banking and travellers cheque service to their customers.

RELIABILITY AND VALIDITY

To check the reliability, Cronbach Alpha and Split half values have been worked out (Malhotra, 2008; p.285) twice i.e before and after factor analysis by dividing the respondents into two equal halves. The data were found reliable before the factor analysis as mean values of both the groups (Group 1= 4.34 and Group 2=4.31) are quite closer to each other. Similarly after factor analysis, the data were proved quite satisfactory in terms of split half reliability as mean scores obtained from both groups of respondents are satisfactory (Group 1= 4.35 and Group 2= 4.33). Moreover, Cronbach Alpha values also proved reliable before and after factor analysis as it came to be 0.965 and 0.919 respectively (Table 2). The content validity has been duly assessed by reviewing the literature and discussions with the subject experts and other researchers working on similar topics. Construct validity measuring the extent to which a single scale measures the same construct has been examined through factor analysis on the basis of Principal Component analysis carried on all items in each scale to determine whether or not they load on a single scale. An eigen value equal to one is taken as criterion for significance of a factor. Eigen values of all the factors are greater than one, indicating strong construct validity (Table 4). The convergent validity has also been found satisfactory (Malhotra, 2008; p.286) as majority of respondents accorded above average mean scores to most of the items and the commonalities of all items remain above .50.

FINDINGS

The data gathered provide reasonably significant outcome of the research. As stated earlier, after applying factor analysis, only 30 statements, which got converged into eight factors with 76.202 of variance explained came up as major target for the bankers to look after seriously for better business. The eight factors are F1 (Perceived Usefulness), F2 (Trust), F3 (Customer Satisfaction), F4 (Commitment), F5 (Better Facilities), F6 (Service Quality), F7 (Perceived Ease of Use), F8 (Profitability). The, major findings have been summarised as under:

Factor 1: Perceived Usefulness

First factor comprised of eight items of perceived usefulness viz., 'helps to accomplish tasks quickly', 'improves job performance', 'enhances effectiveness of job', 'easier to do job', 'www useful', 'transaction is advantageous', 'relevant information is easily available', 'enhances effectiveness in banking career'. About 96% of respondents feel online banking channel, as very easier to do job (MS: 4.36), which enhances the time and cost saving benefits and consequently enables the bankers to support the customer order more efficiently and effectively. Moreover, 93% of respondents find online banking transactions advantageous (MS:4.36), more innovative and user friendly self service technology, extending bankers greater autonomy in performing various banking transactions (Pikkarainen et al, 2004). On the whole all this enhances job effectiveness and career prospects of bankers (MS: 4.5).

Factor 2: Trust

Trust comprising of five variables viz., 'strong commitment to security measures', 'transaction information is protected during connection', 'bank web page offers all the relevant information about products and services', 'does not allow any third person to access customer's personal information', and 'bank's log in process is secure'. About 97 % of respondents are quite satisfied with the online banking system as their bank does not allow any third person to access customer's personal information (MS: 4.54). Moreover, the respondents also observe their bankers having strong commitment to security measures (MS: 4.56) as they ensure transaction information protected during connection (MS: 4.51). Thus, banks must convince their customers about adequate security and safeguards on the websites available. In fact user identification and coding of the transmitted data need to be used to ensure security at transaction level. Also security in this context includes secured transactions as well as secured front end and back end system (Turban et al, 2000).

Factor 3: Customer Satisfaction

Customer satisfaction, being most important to both bankers and their customers, comprised of five items viz., 'clear transaction and price information', 'accurate and up to date information', 'privacy and security', 'customer order fast enough', 'satisfied with online payment system'. Here, respondents are more satisfied with the privacy and security to customer transaction (MS: 4.48) followed by accurate and up to date information (MS: 4.40) and online payment system provided by banks which deal with customer order fast enough (MS: 4.32). Thus, to create customer satisfaction, online banks must adopt personalised aspect of the service, that is what customers want and act as per their demand by encompassing proper security measures in delivering services to customers (Hedberg and Taylor, 2001; Stafford, 2001). Further, to attract more customers to deal online, banks must feed their websites with richer contents such as corporate profile, product and pricing information, interest rates etc (Cronin, 1998).

Factor 4: Commitment

Commitment comprised of four variables viz., 'economically to be a customer of your bank', 'commitment is due to reasonable price of bank', 'commitment is due to bank's performance', 'customers are committed to buy from your bank'. Majority of respondents remain committed to buy from their banks because of performance (MS: 4.12), high customer satisfaction and reasonable price (MS: 4.05). Banks which offer wide range of products and services through internet at reasonable price creates customer satisfaction as well as customer commitment (Hamadi, 2010). Also to achieve customer commitment, a bank strategy must be customer centred, long term and based on the consideration of mutual benefits (Kassim and Abdullah, 2006).

Factor 5: Better Facilities

Better Facilities comprise of two variables viz., 'deposits have increased by using online system' and 'profits have increased due to facilities to customers', Factor five shows 80% of respondents satisfied with online system for banking transactions (MS: 4.02) because it enables the users to make various transactions, such as transferring money between accounts, making payments, pay bills, application for loans and credit card bills online. Thus, it enables the banks to become market leaders by offering large umbrella of services and earning huge profits by proving better and meaningful facilities to customers (Hickman, 1999).

Factor 6: Service quality

Service quality here comprised of two variables viz., 'bank has upto date equipment and technology' and 'bank provides online services to its customers'. Results show that about 97% of respondents are quite satisfied with online services for various banking transactions (MS: 4.53). Hence, banks must focus on how to improve online services to attract new customers and how to retain current customers by encompassing all cues and encounters that occur before, during and after the transactions (Zeithaml et al, 2002).

Factor 7: Perceived ease of use

Perceived ease of use is associated with the user friendliness of the website which includes two items viz., 'interaction on web pages clear and understandable', 'easy to become skilful at navigating the web pages'. Results show about 92% of respondents feeling skilled at navigating the web pages (MS: 4.34) followed by easy interaction on web pages, which is clear and understandable (MS: 4.31). In this context banks should try to develop their internet banking site and interface easier to use. Moreover, banks should also provide practical training sessions for customers at their branches on usage of internet banking interface which helps non-online banking users also to adopt the technology.

Factor 8: Profitability

This factor consists of two items of Profitability viz., 'profit potential of major customers, "profit potential of various schemes". Results show that about 92% of respondents find their bank administrators quickly determining the profitability of various schemes, (M S: 4.33) as well as gains to customers (4.31), which is easily available from their financial reports. In fact banks's profitability needs to be time, cost and effort effective.

HYPOTHESIS TESTING

For testing first hypothesis based on gender, t-test was applied. The male members are more than their female counterparts. The t-test shows significant difference in the responses of males and females (t= -2.70, sig=.008), thus showing that female are more oriented towards usage of internet banking as compared to male (Table:5). Thus, the hypothesis is rejected. For testing second hypothesis based on age, the respondents have been classified under three categories i.e below average, average and above average. The average age of respondents came up as 44 years and maximum number of respondents (59%) falls under above average category followed by below average (38.2%) and average (2.8%). ANOVA results show insignificant mean differences in the responses of different respondents belonging to these three age groups (F=1.34, sig= .307) Table:6 Thus, second hypothesis is accepted.

For checking third hypothesis, the respondents have been divided into three groups viz., Graduate, Post Graduate and Professionals. The number of graduate respondents were more (62), followed by post graduate (42) and professionals (40). ANOVA result depicts insignificant mean difference in the responses of respondents belonging to different educational backgrounds (F= 0.194, sig= 0.824) Table: 7. Thus, the third hypothesis is accepted.

Similarly for testing the fourth hypothesis, the respondents have been segregated on the basis of four segments viz., below 5 years, 5-10 years, 10-15 years and above 15 years of work experience. Majority of respondents are having their job experience of more than 15 years. ANOVA results indicate no significant difference in the mean scores of these four groups (F= 0.218, sig=0.884) Table 8. Thus, the fourth hypothesis is also accepted.

CONCLUSION

It is evident from the study that the adoption of internet banking is not affected by the age, education and length of experience of bank managers. Majority of respondents are quite satisfied with the implementation of online banking system in their banks which enables them to do their respective jobs more easily and thus enhances their effectiveness in their banking career. Moreover, the respondents are also satisfied with their banks for giving better online services to their customers, which creates customer satisfaction and thus enhances profitability of banks.

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INSUFACTO – Analysis: A Comparative Study of LIC and PLICs in India

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ABSTRACT

In the 21st century, gets opened by the IRDA for the private players in the field of insurance, particularly life insurance business. There are, now-a-days, two strong competitors viz. (i) LIC, and (ii) PLICs in the life insurance sector of the Indian economy. The study analyzed the insurance policy holders' choices while buying the insurance policies taking ten factors into account. The study observed three factors viz. (i) safety, (ii) high returns, and (iii) tax benefits as ***'indispensable decision factors'****, and three viz. (i) risk coverage, (ii) customer care, and (iii) easy transaction as 'significant decision factors' while the four viz. (i) loan facility, (ii) easy claim procedure, (iii) variety of schemes, and (iv) additional facility as* ***'insignificant decision factors'****.*

Keywords: *Attributes, INSUFACTO, Insurance Policies, IRDA, Policy Holders.*

INTRODUCTION

Since, 245 Indian and Foreign insurance companies and provident societies taken over and nationalized by the Central Government of India forming LIC by enactment of an Act of Parliament i.e. LIC Act, 1956 with a capital contribution of Rs. 5.0 Crores. The LIC has been performing by launching variety of policies covering different aspects of human life. But looking the gradually increasing demand of life insurance policies with the rapid growth in population during a period of more than 40 years, it was thought to open again doors for the private insurers and ultimately the Insurance Regulatory and Development Authority Act, 1999 enacted by the Parliament in the 50th year of Republic of India. For the purpose of this Act, the Central Government notified the establishment of "The Insurance Regulatory and Development Authority" which is popularly known as IRDA by its abbreviated form. The IRDA Act, 1999 entrusted a number of powers with certain duties and functions to IRDA which primarily includes to regulate, promote and ensure orderly growth of the insurance business and re-insurance business including all types of insurances. From the Millennium Year 2000 i.e. beginning of 21st centuries, the LICI and other tiny Private Life Insurance Companies (PLICs) in the Life Insurance Sector of India are competing to each other. The Life Insurance Sector in India revealed (by IRDA-2011) the scenario as there were 24 life insurers on September 30, 2011 out of which one was LICI in the Public Sector while the rest 23 life insurers in the Private Sector having market share 69.78% and 30.22% respectively. The growth of PLICs in term of paid up capital reached to 23656.85 Crore by the end of financial year 2011, while paid up capital of LICI remained through out its life till of March 31, 2011 constant with Rs. 5.0 Crore. Any how, insurance sector being remained as an indispensable sector and one of the strongest pillars of the National Economy. Replacement of a loss of life is next to impossible; still life insurance policy covers the loss financially, but not fully, partially. Not much but a little bit more financial support is provided to the remaining life members including spouse, children or/and rest of dependents of the expired policy holder. Certainly, a wise investor i.e. policy holder can minimize the effect of risk of financial loss through selecting appropriate life insurance policy and plan. Any how risk can not be averted but loss arising from uncertain events, hazard, and casualties may be minimized. If 'no life – no insurance' is true then similarly true that 'no insurance – no life'. Life insurance reflects an emotional attachment with the wife/husband, children, parents, dependents and even with him/her self. An **insurant** (a person who takes out an insurance policy) or an **insured** (a person covered by an insurance policy) person buy insurance policy first for human consideration and last for risk coverage and financial motives. The human considerations and risk coverage both the aspects together built a specific element which is popularly known as **'insurable interest'** in the insurance parlance. Life insurance is being projected or considered, mostly, in the wrong perspective taking as an investment. Insurance is a insurance but not an investment in any how. Insurance is meant for security and risk coverage while investment for incomes and returns. No **insurer** (i.e. a person or company or corporation that contracts to indemnity another in the event of loss or damage) gives return on insurance policy. But in case of life insurance policy, the insurer pays certain amount at the time of maturity in term of bonus or incentives for the success of policy but not in term of income or returns including some of the principle paid in term of premium. In fact, in the practical life insurance policies generally are purchased taking a number of factors in to account and not only on the basis of natural phenomena such as emotion, love, affection, etc. The factors considered while taking policy may be so called apparently or tentative insurance – factors (i.e. INSUFACTOs) and not, in fact, the

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decision factors. The relevant factors are the decision factors while general factors are the insurance factors. There is no limit for the insurance factors but the present study taken ten factors in to account and made stand an INSUFACTOs viz. (i) Safety, (ii) Risk, (iii) High Return, (iv) Tax Benefit, (v) Easy Transaction, (vi) Customer Care, (vii) Variety of Schemes, (viii) Loan Facility, (ix) Additional Facility, and (x) Easy Claim Procedure.

Objectives: The present paper having focus on and set the following three objectives:-

To know the factors providing base for buying insurance policies i.e. insurance policy decision factors,

To know the factors distinguishing the choice of selection of life insurance policies between LIC and PLICs in India, and

To develop a 'Decision Model' ranking the 'INSUFACTOs' considering the human attributes.

Hypotheses: In order to provide base to the study, set following three hypotheses as given below:-

The INSUFACTOs are irrelevant in respect to buy an insurance policy,

The INSUFACTOs are inactive for selecting insurer either LIC or PLICs, and

The human attributes do not affect to the INSUFACTOs while buying insurance policies either from LICI or from PLICs.

Research Methodology: Generally, buyers of the life insurance policies remain in big confusion as they buy policies and expect returns. Similarly, they consider insurance policies as a means of investment with risk-coverage. The factors for making decisions about insurance policy and investment never be the same or exactly similar. This type of statement of mind i. e. contradictory and paradoxical situation push to the people at large in doldrums. While choosing the sample or study units, the 'Purposive/Deliberate Sampling Technique' used which is popularly known as the Researcher's Purposive Technique, and finally considered LIC that's only one corporation in the Public Sector and three PLICs viz. (a) Max New York Life Insurance Company, (b) ICICI Prudential Life Insurance Company, (c) Bajaj Allianz Life Insurance Company in the private sector. These four selected sample units used in their abbreviated form as LIC, MNYL, ICICI and BA. The required primary and secondary data, figures, facts and information gathered from the IRDA and from Annual Reports of the sample study units. Besides, a structured, well set and designed questionnaire having open ending, close ending, ranking and scaling types questions used. The questionnaires mailed and circulated in city of Udaipur, States of Rajasthan and Gujarat. Finally, 150 questionnaires or respondents taken into account for the purpose of analysis. Originally, the study covered a period of ten years w.e.f. 2000-01 to 2009-10. Statistical techniques and tools including averages, percentages etc. used for analysing the resource materials. In terms of study variables or in place of study variables ten decision factors or insurance factors considered as INSUFACTOs viz. (i) Safety, (ii) Risk, (iii) High Return, (iv) Tax Benefit, (v) Easy Transaction, (vi) Customer Care, (vii) Variety of Schemes, (viii) Loan Facility, (ix) Additional Facility, and (x) Easy Claim Procedure. The present study is directly and solely concerned with human-nature while human-nature is ever changing, complicated, and sensitive therefore the output of the study be considered with certain limitations. The study remained covering a few insurance companies with the limited field of the survey. Decision factors may be a number of factors as the policies are function of choice of persons, ultimately the study based on selected only ten factors. The respondents were only 150 of the mass insurance policy-holders of the 24 insurance companies including LIC. The result and findings of the study also remained untested as there was no laboratory as are available in case of researches carried out in the field of biological, physical and chemical and other sciences.

Survey of Literature

A number of researchers, scholars, eminent personalities, thinkers, etc. carried out their field work considering life insurance or general insurance taking some of the aspects related but the present research remained some how different with these works as it was based on decision factors called as INSUFACTOs. The study covered a few of such studies including - Dr. L.J. Chaarlas, Albin D. Robert Lawrence and P. Bagatheeswari (2009) observed that 74% of the respondents taken LIC Policies giving their first preference to the 'Safety and Security' which ranked at I while 19% taken life insurance policies from the Private Life Insurance Companies taking 'High Return' at their first choice and which was ranked at I, while the 7% respondents could not invest. Their study set three objectives. The weighted average method used. Ranks assigned to the 12 reasons for selecting life insurance policies of either LIC or Private Insurance Companies respectively. The 12 reasons were viz. (i) safety, (ii) risk, (iii) high return, (iv) tax benefit, (v) lower denomination, (vi) easy transaction, (vii) customer care, (viii) variety of schemes, (ix) duration, (x) loan facility, (xi) additional facility, and (xii) influence of others. Mc. Garg and Anju Verma (2010) set Correlations Matrix among dimensions of Product Satisfaction viz. (i) Risk Protection, (ii) Saving, (iii) Tax Benefits, (iv) Investment, (v) Cost, (vi) Return, (vii) Liquidity, (vii) Safety and Simultaneously developed Rotated Factor Matrix. Further, Correlations Matrix set between ten variables of office services viz. (i) Appearance of Branch, (ii) Convenient Operating Hours, (iii) Competent, (iv) Communication, (v) Assurance of Information, (vi) Responsiveness, (vii) Reliability, (viii) Empathy, (ix) System and Procedure, and (x) Understanding the customer. Then after observed Factor Matrix for the same ten variables of office services and called SURVPREF Model. The model was fitted with five dimensions of SERVQUAL (Service Quality Model) based on linear regression equations. The five dimensions were product satisfaction, pre-sale service, post sale service, office service and over all service quality. They suggested that efforts should be made to increase the business of new policies and improve the retention of in force policy to life insurance policies need to be positioned on the basis of its product features and proper segmentation. Raju G. (December, 2009) analyzed growth in life insurance companies, new policies issued, total premium taking LIC and Private Sector Companies into account. A survey was conducted with a sample of 240 policy holders in National Capital Region, Delhi. ANNOVA technique used to analyze the collected data. He considered certain factors responsible for preference on the life policy either or LICI or PLICI or in both including Higher Return, Low Risk Factor, Prompt Dealing, Easy Settlement, Branch Network, Customer Service besides certain reasons for preference including Tax Benefits, Risk Coverage, Loan Facility, Survival Benefits, Education and Marriage of Children and others. The study revealed that policies of life insurance preferred because of two factors; (i) risk coverage and (ii) tax benefits. The factor security affected for LIC while the factors better customer services and high returns for private sector insurance companies. Dr. Manish Shrivastava and Megha Rastogi (November, 2010) considered eleven factor responsible for taking decision of life insurance policies specially by the working women; (i) Attractive Return, (ii) Risk Coverage, (iii) Insurance Agent Dressing, (iv) Known Insurance Agent, (v) Gender of Insurance Agent, (vi) Convenience in paying premium, (vii) Company's Brand Name, (viii) Husband/Father Advice, (ix) Private Public Player, (x) Documentation Procedure, and (xi) Pay out Option. Their study based on 112 working women as respondents having age of 22-39 years, belonging to North Delhi, Moradabad and Varanasi. They analyzed and compared customer expectations and customer satisfaction and reached on the conclusion that the working women purchase insurance policies as per advice of father/husband or their family members but without searching the details of the policies. To save Income Tax remained the major factor for purchasing the policies. Majority working women preferred policies of LICI than private sector life insurance companies being risk aversive. The study applied Chi-Square Test. Ogenji/Ejye Omar (October, 2007) observed that lack of confidence and ignorance of risks and reliance remained factors for preventing purchase of life insurance policies. The application of Theory of Reasoned Action revealed that intention is determined by non motive factors rather than the attitudinal factors. A quota sampling method based on demographical variables of age, gender and socio-economic status was applied. The research instrument was based on data provided by the Nigerian National Association of Insurers. He recommended that marketers should target marketing communication efforts at the significant others. Anuradha Sharma (April, 2008) stated that there are various factors which influence demand of life insurance products including economic factors like prices of insurance, government tax, the general economic environment, income, inflation and interest rates etc. She also observed that the demographic environment also influences the choice amongst consumers; aging, population, household structure, education, industrialization and urbanization and factors related to individual's social environment like culture and society also contribute towards increase demand for insurance products. Finally she observed that the demand for life insurance product is driven by several economic factors like prices of insurance, government tax, the general economic environment, income, inflation and interest rates etc. Bhagabat Barik (February, 2012) considered certain expectations of the insurance policy holders from the life insurers; (i) Desired Service Expectation, and (ii) Adequate Service Expectation. The Desired Service Expectation includes four; (a) Reasonable rate of premium, (b) Suitable plan of insurance, (c) Prompt and satisfactory servicing, (d) Expeditious settlement and claims while the Adequate Service Expectation includes the minimum level of services that customers will accept. It may be both functional and behavioural. He observed that there are prominent seven sources responsible for creating customers expectations for the life insurance viz. (i) Perceived value of life insurance, (ii) Experience, (iii) Personal emergency situation, (iv) Word of mouth communication, (v) Service commitment, (vi) Technology, (vii) Prediction about the insurance product. He concluded that both desires and expectations varies under different situations while purchasing the life insurance product. These are also influenced by the personal intrinsic values and surrounding. Apart from policy bond, claim, relationship building, technology are few core area which have major impact on customers mind and finally expectation. Multinational insurance companies must consider various factors relating to customer expectations while designing services. Deep K. Thakkar (July, 2012) considered one of the four objectives as to know the factors influencing buying decision of investors in life insurance. He has taken five reasons or factors responsible for investing in life insurance policies viz. (i) Investment, (ii) Risk Coverage), (iii) Children Education, (iv) Tax Benefits, (v) Retirement Planning. The field of study was Kolapur city in Maharashtra and the period was from January, 2012 - March, 2012 and selected 100 policy holders as sample size. The collected data analyzed using certain statistical tools and likert scale also and made interpretations. He observed that life insurance policies are purchased for (i) Risk coverage, (ii) Children education, (iii) Tax benefits, (iv) Investment, and (v) Retirement planning. He concluded that life insurance is a protection against risk of life and therefore without insurance the family of deceased may suffer a lot. Mostly investors took policies when advisors or agents approached them which shows that they are neither serious nor rational for taking decisions about the insurance policies. Sometimes, they feel cheated by the agents or advisors but they have no ground to blame the insurance company, advisors or agents due to their own negligence. They are expected to be serious about the life insurance investment keeping trust with insurers. Finally made seven practical suggestions viz. (i) Insurance should not be looked as an investment, (ii) Investors should not depend more on advisors, (iii) Insurance companies should train their advisors to provide ethically up-to-date information, (iv) Advisors should provide proper service to their client, (v) Private insurance companies should take strict actions against advisors who are indulged in misleading activities, (vi) LIC must improve their follow-up with their clients with respect to servicing of policies, (vii) IRDA should introduce strict code of conduct for insurance advisors.

Analysis and Interpretation

Undoubtedly, a person keeps certain factors in his views while taking decision for buying an insurance policy regardless LIC or PLICs. In the parlance of Management such factors are called decision factors. It is also true that two persons not having the same factors exactly. Therefore, the present paper considered a number of factors on the basis of survey of literatures and personal talk with persons already having insurance policies and finally set ten factors viz. (i) Safety, (ii) Risk, (iii) High Return, (iv) Tax Benefit, (v) Easy Transaction, (vi) Customer Care, (vii) Variety of Schemes, (viii) Loan Facility, (ix) Additional Facility, and (x) Easy Claim Procedure. In order to collect data and relevant figure-facts, a questionnaire used as stated in the Research Methodology and finally taken 150 respondents into account. On the basis of the respondents' response, in all, ten tables set.

Table 1 : 'Attributes/Characteristics of the Respondents' showing frequencies and percentage of the six attributes having by the 150 respondents viz. (i) Gender, (ii) Age, (iii) Marital Status, (iv) Education Qualifications, (v) Occupation, (vi) Income. Out of these attributes four i.e. Gender, Age, Marital Status and Income further sub-classified dichotomous and rest two i.e. Educational Qualification and Occupation sub-classified multifarious. The present paper analyzed 3 of the 6 attributes viz. (i) Gender, (ii) Age, and (iii) Income considering as prominent in respect to insurance while rest three viz. (i) Marital Status, (ii) Educational Qualifications, and (iii) Occupation are being remained as insignificant. Table 2 is showing preference as given to the 'INSUFACTOs' by the respondents. Study multiplied to the preferences by weights giving as 10 to the first preference, 9 to the second preference and so on, which resulted as product as Weighted Scores. Further, Weighted Average Scores (WAS) calculated for the 'Insufacto' taking their respective weighted Scores as numerator and total of the weights 55 (i.e. a sum of weight 10 to 1 as denominator). On the basis of the Weighted Average Scores ranks given I to X provided to the 'INSUFACTOs' as first rank to the factor having maximum WAS and so on. Here to state that the same procedure followed for the rest of Tables having Ranks. The male respondents considers the INSUFACTO's while buying the insurance policies in order to (I) Safety, (II) High Return, (III) Tax Benefit, (IV) Customer Care, (V) Easy Transaction, (VI) Risk, (VII) Easy Claim Procedure, (VIII) Loan Facility, (IX) Variety of Schemes, and (X) Additional Facility. Table 3 'Ranking to the INSUFACTOs by the Female Respondents' showing females choices or preferences about the 'INSUFACTOs' while buying/taking insurance policies in order to Ranks I to X respectively to the Safety, High Return, Customer Care, Tax Benefit, Easy Transaction, Risk, Variety of Schemes, Easy Claim Procedure, Additional Facility and Loan Facility. The analysis revealed that both male and female having their choice while buying the insurance policies to the factors, Safety and High Returns mainly Risk and Easy Transaction also preferred similarly but insignificantly while their choices were not remained the same regarding Tax Benefit, Customer Care, Variety of Schemes, Loan Facility, Additional Facility and Easy Claim Procedures as these stand on different ranking. In order to know the tendency and relevance in between age and INSUFACTOs study analyzed phenomena of age classified into two major groups (i) Age between 18-45 years, and (ii) Above 45 years to the 150 respondents. 96 in all were belonging age between 18-45 years while age having more than 45 years the respondents was 54. The respondents belonging into first group, tempered towards Safety followed by High Return and Tax Benefits putting in order of Ranks 1st to 3rd while at the next three ranks i.e. 4th to 6th remained Customer Care, Risk and Easy Transactions while 7th to 10th ranked factors were Easy Claim Procedure, Loan Facility, Variety of Schemes and Additional Facilities (Table 4).

In case of respondents belonging to 45 years and above were having preferences; Safety, High Return and Tax Benefit standing 1st to 3rd rank, the next three were Customer Care, Easy Transaction and Risk while the factors ranked 7th to 10th Loan Facility, Easy Claim Procedure, Variety of Scheme and Additional Facilities (Table 5). The analysis revealed that the choice and factors remained in different majorly with the attribute of age as there were common ranking between both the groups of age regarding 6 of the 10 factors viz. Safety, High Return, Tax Benefit, Customer Care, Variety of Schemes and Additional Facility, while the remaining four factors viz. Risk, Easy Transaction, Loan Facility and Easy Claim Procedure. The analysis also revealed that the old persons (45 & above) given more weight to risk in comparison to young and youth (i.e. 18-45 years). Similarly the young and youth more preferred to Easy Claim Procedure than old persons.The study interrelated income with the 'INSUFACTOs' dividing respondents into two income groups i.e. (i) Below Rs. 500000, and (ii) Above Rs. 500000 and presented on Table 6 and Table 7. The first income group considered Safety, High Return, Tax Benefit at top priority while Customer Care, Easy Transaction and Risk thereafter and rest four factors Loan Facility, Variety of Schemes, Easy Claim Procedure and Additional Facility as per their ranks. The second income group kept Safety, Tax Benefit and High Return at top priority as rank 1st to 3rd and thereafter Customer Care, Risk, Easy Transaction and at last priority on Loan Facility, Easy Claim Facility, Variety of Scheme and Additional Facility (Table 6& 7). The study revealed that the factors Safety, Customer Care, Loan Facility and Additional Facility remained regardless to income standing on the same rank as given by both groups. The higher income group (above Rs. 5.0 Lacs) gives more attention on risk, tax benefit and easy claims facility in comparison to lower income group (below Rs. 5.0 Lacs).

The doors opened for private players in the field of life insurance business by introducing IRDA Act, 1999 and resulted competition with LIC of India. Therefore, the present study taken also one of the aspects as a comparative study between LIC and PLICs in India, and accordingly data collected using the same questionnaire. The relevant data, information and facts presented using three Tables viz. Table 8 to Table 10. In all there were 150 respondents classified in two groups viz. (i) policy holders of LIC and (ii) policy holders of PLICs in India. Before analyzed comparatively as a whole, study set its angel on the three attributes of the respondents' viz. (i) gender, (ii) age, and (iii) income.

The data revealed phenomena as the male respondents were higher than the female respondents belonging age below 45 were more than to above 45 years. Similarly persons having income below 5 Lacs remained higher than to income above 5 Lacs regardless LIC and PLIC, as a part and insurance sector as a whole. The male-female ratio as observed was 3:1 for the insurance sector which was more deviated in LIC i.e. 3.33, than PLICs i.e. 2.83:1. The youth-old age ratio 1.78:1 in the sector was 1.74:1 and 1.88:1 in the LIC and PLICs respectively. The ratio of below income group and above income group (AIG) found 6.07:1 for the insurance sector as a whole while the same remained 6:1 and 6.67:1 respectively for the LIC and PLICs. Overall revealed that policy holders were more male, below 45 years of age, and having income below 5 Lacs.

The LIC Policy Holders considers the 'INSUFACTOs' while buying the insurance policies in order to (I) Safety, (II) High Return, (III) Tax Benefit, (IV) Customer Care, (V) Easy Transaction, (VI) Risk, (VII) Variety of Schemes, (VIII) Easy Claim Procedure, (IX) Loan Facility, (X) Additional Facility while PLICs Policy Holder considers the INSUFACTOs, in order to (I) Safety, (II) High Return, (III) Customer Care, (IV) Easy Transaction, (V) Risk, (VI) Tax Benefit, (VII) Loan Facility, (VIII) Easy Claim Procedure, (IX) Additional Facility, (X) Variety of Schemes (Table 9 & 10). The analysis revealed that both LIC and PLICs policy holders buying the insurance policies for Safety and High Return and Easy Transaction also preferred similarly, while their choices were not remained the same regarding the other factors. PLICs, Policy Holders give more attention to Customer Care, Easy Transaction, Risk, Loan Facility and Additional Facility while LIC Policy Holder give more attention to Tax Benefit and Variety of Schemes. The study revealed peculiar phenomena about the INSUFACTOs while analyzed use of the respondents. The study as taken ten factors into account and put the same in the questionnaire in particular order 1 to 10 with certain expectations. The preferences observed in different orders in case of LIC and PLICs besides in the insurance sector as a whole and the same put on the Table 11: 'Expected and observed INSUFACTOs'. The two factors Safety and High Return stand in 1st and 2nd order of preference considered as I and II Ranks in LIC, PLIC and Insurance Sector. Tax Benefit and Customer Care, Easy Transaction, and Risk considered to III to VI Rank while the other four factors Loan Facility, Easy Claim Procedure, Variety of Schemes and Additional Facility remained on VII to X Rank respectively which may be classified as given below:

Classification of the INSUFACTOS:

Table: 2 Split Half Reliability

Indispensible Factor:	Significant Factors:	Insignificant Factors:
I. Safety	I. Risk Coverage	i. Loan Facility
ii. High Return	ii. Customer Care	ii. Easy ClaimProcedure
iii. Tax Benefit	iii. Easy Transaction	iii. Variety of Schemes
		iv. Additional Facility

Test of Hypotheses: In all the study developed and set three Hypotheses. The first hypothesis that "The INSUFACTOs are irrelevant in respect to buy an insurance policy" was rejected as the INSUFACTOs are taken into account while buying insurance policies regardless male or female and their respective attributes. It was also revealed that the ten insurance factors not preferred at equal rank as the study classified the factors, finally, into three categories viz. (1) Indispensible Factors; (i) Safety, (ii) High Return, and (iii) Tax Benefit, (2) Significant Factors; (i) Risk Coverage, (ii) Customer Care, and (iii) Easy Transaction, (3) Insignificant

Factors; (i) Loan Facility, (ii) Easy Claim Procedure, (iii) Variety of Schemes, and (iv) Additional Facility. The second hypothesis that "The INSUFACTOs are inactive for selecting insurer either LICI or PLICs" was also rejected as the factors Tax Benefit motivated towards LIC while Risk in case of PLICs. Similarly a variety of Schemes more preferred in case of LIC while factor loan facility considered more in case of PLICs. The third hypothesis that "The Human Attributes do no affect the INSUFACTOs while buying insurance policies" was also rejected as the human attributes such as gender, age and income effect the variety of policies. In nutshell the set three null hypotheses rejected by the study.

Conclusion

The 150 respondents dichotomous classified and observed as 76% male and 24% female having age belonging 64% below 45 years, and 36% to age above 45 years while 86% and 14% were in the bracket of below Rs. 5.0 Lacs and above Rs. 5.0 Lacs respectively. Male preferred Safety (WAS 19.73), High Returns (WAS 15.32), and Tax Benefits (WAS 14.78) and female preferred Safety (WAS 6.10), High Returns (WAS 4.72), Customer Care (WAS 4.20) while buying insurance policies regardless LIC or PLICs, Youths preferred Safety (WAS 16.69), High Return (WAS 12.96), and Tax Benefits (WAS 11.41) and old persons preferred Safety (WAS 9.20), High Return (WAS 7.09), and Tax Benefit (WAS 6.87) while taking life insurance buying decisions. The Below Income Group (BIG) preferred Safety (WAS 22.40), High Return (WAS 17.96), and Tax Benefit (WAS 15.50) and the Above Income Group (AIG) preferred Safety (WAS 3.54), Tax Benefit (WAS 2.83) and High Return (WAS 2.52) at the time of buying insurance policies. The policy holders discriminated LIC and PLICs giving uncommon decision factors; (i) Variety of Schemes, (ii) Loan Facility, (iii) Additional Facilities, and (iv) Customer Care. Study classified decision factors into three categories viz. (i) Indispensible factors; (a) Safety, (b) High Return, and (c) Tax Benefit, (ii) Significant Factors; (a) Risk, (b) Customer Care, and (c) Easy Transactions while Insignificant factors; (a) Loan Facility, (b) Easy Claim Procedure. (c) Variety of Schemes, and (d) Additional Facilities. The policy holders' philosophy life insurance and psychology on buying life insurance policies displayed through ten Tables, and The supero output of the study remained INSUFACTO Decision Model. The study observed certain facts and revealed variety of phenomena on that basis a few but most important and practical suggestions are: The LIC and PLICs should keep in the views the three categorized factors; (a) Indispensible factors, (b) Significant factors, and (c) insignificant factors while launching new life insurance policies in India or abroad. Public do not wish complicated and varieties of the insurance policies, therefore policies may be developed only of the six segments viz. (a) children plan, (b) women plan, (c) life and endowment plans, (d) pension plans, (e) group plans, and (f) specific segment plans. The prospective future policy holders would be more interested in returns and tax benefits, therefore the insurer keep their terms and conditions clearly expressing investment-facts and insurance-facts separately. In fact, the policies should be 'Investment inbuilt Life Insurance Policies', high lighting investable money and insurance charges separately in premiums being charged. LIC and PLICs both should introduce and project their insurance policies as insurance policies, and not as investment opportunities. The LIC should be more concentrated on significant factors while the PLICs should be on indispensable factors while launching their life insurance schemes and policies. There is high need to make more tempting and attracting to the insignificant factors in the new package of policies, and The prospective insurance policy holders should be careful and keep rule of 'Caveat emptor' or 'Buyers beware' in views while buying insurance policies. They should expect to know about the terms and conditions, and silent and hidden features of the policies.

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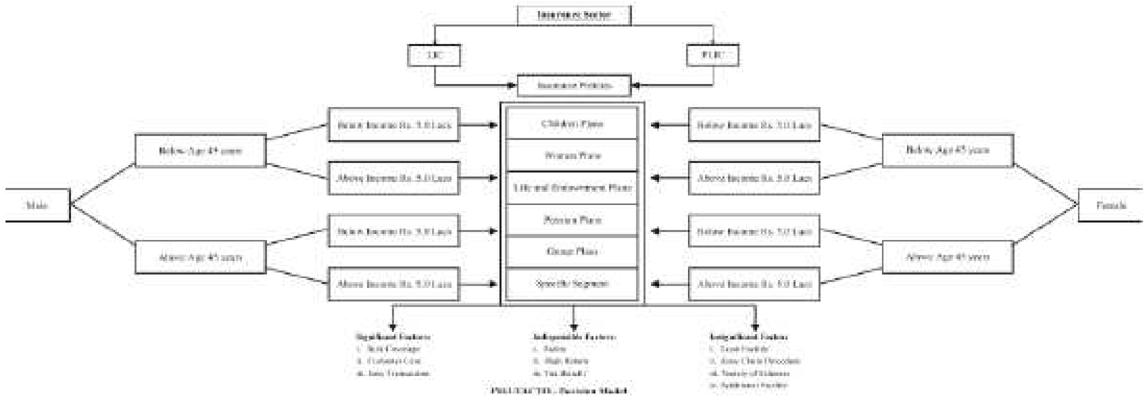

Table 1: Attributes/Characteristics of the Respondents

S. No.	Particulars	Frequency (n = 150)	Percentage (%)
1.0	**Gender :**		
1.1	Male	114	76
1.2	Female	35	24
	Total	**150**	**100**
2.0	**Age :**		
2.1	Below 45 years	96	64
2.2	Above 45 years	54	36
	Total	**150**	**100**
3.0	**Marital Status :**		
3.1	Unmarried	17	11
3.2	Married	128	86
3.3	Others	05	03
	Total	**150**	**100**
4.0	**Educational Qualification :**		
4.1	Matriculate	24	16
4.2	Graduates	56	37
4.3	Diploma Holder	05	03
4.4	Post Graduate	51	35
4.5	Professional	14	09
	Total	**150**	**100**
5.0	**Occupation :**		
5.1	Business/Self Employed	72	48
5.2	Employees (Government)	08	05
5.3	Employees (Private)	22	15
5.4	Professionals	37	25
5.5	Retired Persons	04	03
5.6	**Others :**		
	Housewives/Students	07	04
	Total	**150**	**100**
6.0	**Income :**		
6.1	Below Rs. 5.0 Lacs	129	86
6.2	Above Rs. 5.0 Lacs	21	14
	Total	**150**	**100**

Table 2 : Ranking to the INSUFACTOs by the Male Respondents

S. No.	INSUFACTOs	Weights	10	9	8	7	6	5	4	3	2	1	Total Weighted Scores	Weighted Average Scores	Ranks
		Preferences	1	2	3	4	5	6	7	8	9	10			
1	Safety		840	126	88	14	6	0	8	3	0	0	1085	19.73	I
2	Risk		70	126	80	105	48	45	28	27	14	29	572	10.40	VI
3	High Return		90	378	160	91	36	50	20	12	0	6	843	15.32	II
4	Tax Benefit		60	143	192	175	84	20	16	9	12	2	813	14.78	III
5	Easy Transaction		10	9	128	63	168	120	72	27	14	2	613	11.15	V
6	Customer Care		40	72	200	161	96	55	40	30	14	1	709	12.90	IV
7	Variety of Schemes		0	36	8	28	42	75	92	72	42	16	411	07.47	IX
8	Loan Facility		10	18	24	56	66	95	68	66	36	14	453	08.24	VIII
9	Additional Facility		0	9	32	28	48	40	72	60	56	24	369	06.71	X
10	Easy Claim Procedure		30	18	8	84	96	75	44	39	42	21	457	08.31	VII

* Weighted Scores / Total Weights = WS/TW = 1085/55 = 19.73 and so on

Table 3 : Ranking to the INSUFACTOs by the Female Respondents

S. No.	INSUFACTOs	Weights / Preferences	10 / 1	9 / 2	8 / 3	7 / 4	6 / 5	5 / 6	4 / 7	3 / 8	2 / 9	1 / 10	Total Weighted Scores	Weighted Average Scores	Ranks
1	Safety		250	81	8	0	0	0	0	0	0	0	339	06.10	I
2	Risk		0	72	32	28	12	0	4	3	16	6	173	03.15	VI
3	High Return		60	99	16	35	18	20	0	12	0	0	260	04.72	II
4	Tax Benefit		10	18	48	49	24	10	4	21	8	1	193	03.51	IV
5	Easy Transaction		20	9	16	28	36	25	20	15	4	3	176	03.20	V
6	Customer Care		0	9	112	42	24	25	16	3	0	0	231	04.20	III
7	Variety of Schemes		0	0	16	14	12	50	28	12	8	4	144	02.62	VII
8	Loan Facility		0	0	16	14	36	15	16	12	12	8	129	02.35	X
9	Additional Facility		0	18	8	21	12	10	28	15	10	8	130	02.36	IX
10	Easy Claim Procedure		0	9	8	14	36	20	24	12	12	5	140	02.55	VIII

* *Weighted Scores / Total Weights = WS/TW = 339/55 = 6.10 and so on*

Table 4 : Ranking to the INSUFACTOs by the Respondents belonging age 18-45 years

S. No.	INSUFACTOs	Weights / Preferences	10 / 1	9 / 2	8 / 3	7 / 4	6 / 5	5 / 6	4 / 7	3 / 8	2 / 9	1 / 10	Total Weighted d Scores	Weighted d Average	Ranks S
1	Safety		710	126	64	14	0	0	4	0	0	0	918	16.69	I
2	Risk		60	144	80	91	36	30	16	12	20	21	510	09.27	V
3	High Return		110	324	112	70	36	30	8	18	0	5	713	12.96	II
4	Tax Benefit		20	153	160	154	72	20	12	24	10	3	628	11.41	III
5	Easy Transaction		20	9	88	42	138	105	52	33	10	3	500	09.09	VI
6	Customer Care		20	45	200	130	84	50	36	21	10	0	599	10.89	IV
7	Variety of Schemes		0	9	24	28	42	70	76	54	34	13	350	06.36	IX
8	Loan Facility		10	9	16	35	42	80	72	45	34	14	357	06.49	VIII
9	Additional Facility		0	18	16	42	42	25	60	51	42	21	317	05.76	X
10	Easy Claim Procedure		10	27	8	63	84	70	48	30	32	16	388	07.05	VII

* *Weighted Scores / Total Weights = WS/TW = 918/55 = 16.69 and so on*

Table 5 : Ranking to the INSUFACTOs by the Respondents belonging 45 years and above

S. No.	INSUFACTOs	Weights / Preferences	10 / 1	9 / 2	8 / 3	7 / 4	6 / 5	5 / 6	4 / 7	3 / 8	2 / 9	1 / 10	Total Weighted Scores	Weighted Average Scores	Ranks
1	Safety		380	81	32	0	6	0	4	3	0	0	506	09.20	I
2	Risk		20	54	32	42	24	15	16	18	10	14	245	04.45	VI
3	High Return		40	153	65	45	18	40	12	6	0	1	390	07.09	II
4	Tax Benefit		50	108	80	70	36	10	8	6	10	0	378	06.87	III
5	Easy Transaction		10	9	56	49	66	40	40	9	8	2	389	05.25	V
6	Customer Care		20	36	112	70	36	30	20	12	4	1	341	06.20	IV
7	Variety of Schemes		0	27	0	14	12	55	44	30	16	7	205	02.72	IX
8	Loan Facility		0	9	24	35	60	30	12	33	14	8	225	04.09	VII
9	Additional Facility		0	9	24	7	18	25	40	24	24	11	182	03.30	X
10	Easy Claim Procedure		20	0	8	36	48	25	20	21	22	10	209	03.80	VIII

* *Weighted Scores / Total Weights = WS/TW = 506/55 = 09.20 and so on*

Table 6 : Ranking to the INSUFACTOs by the Respondents whose income below Rs. 5.0 Lacs

S. No.	INSUFACTOs Weights	10	9	8	7	6	5	4	3	2	1	Total Weighted Scores	Weighted Average Scores	Ranks
	Preferences	1	2	3	4	5	6	7	8	9	10			
1	Safety	990	153	64	14	0	0	8	3	0	0	1232	22.40	I
2	Risk	60	216	96	112	48	30	28	21	30	28	669	12.16	VI
3	High Return	140	432	200	98	48	40	8	18	0	4	988	17.96	II
4	Tax Benefit	30	198	224	231	84	30	8	30	14	4	853	15.50	III
5	Easy Transaction	30	18	80	91	204	130	72	33	14	5	677	12.30	V
6	Customer Care	20	36	272	168	102	105	48	27	12	0	790	14.36	IV
7	Variety of Schemes	0	27	24	35	48	95	128	72	40	15	484	08.80	VIII
8	Loan Facility	10	27	24	42	90	85	72	75	40	21	486	08.83	VII
9	Additional Facility	0	27	32	49	54	45	88	60	53	24	441	08.01	X
10	Easy Claim Procedure	10	27	16	63	96	85	56	48	46	28	475	08.63	IX

** Weighted Scores / Total Weights = WS/TW = 1232/55 = 22.4 and so on*

Table 7 : Ranking to the INSUFACTOs by the Respondents whose income above Rs. 5.0 Lacs

S. No.	INSUFACTOs Weights	10	9	8	7	6	5	4	3	2	1	Total Weighted Scores	Weighted Average Scores	Ranks
	Preferences	1	2	3	4	5	6	7	8	9	10			
1	Safety	130	27	32	0	6	0	0	0	0	0	195	03.54	I
2	Risk	20	18	24	7	6	15	4	6	2	5	107	01.94	V
3	High Return	10	36	24	28	12	15	8	6	0	0	139	02.52	III
4	Tax Benefit	30	63	24	21	6	0	8	0	4	0	156	02.83	II
5	Easy Transaction	0	0	24	7	36	5	16	9	4	1	102	01.85	VI
6	Customer Care	10	27	24	42	6	10	12	3	0	1	135	02.45	IV
7	Variety of Schemes	0	9	0	7	6	25	16	9	6	3	81	01.47	IX
8	Loan Facility	0	9	16	14	12	20	8	18	4	0	101	01.83	VII
9	Additional Facility	0	0	0	7	12	5	4	6	14	7	55	01.00	X
10	Easy Claim Procedure	10	0	0	14	24	10	8	6	8	4	84	01.52	VIII

** Weighted Scores / Total Weights = WS/TW = 195/55 = 3.54 and so on*

Table 8 : LIC and PLICs Wise Characteristics of the Respondents

Characteristics	LIC		PLICs		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Gender:						
Male	80	77	34	74	114	76
Female	24	23	12	26	36	24
Total	**104**	**100**	**46**	**100**	**150**	**100**
Age:						
Below 45	66	63	30	65	96	64
Above 45	38	37	16	35	54	36
Total	**104**	**100**	**46**	**100**	**150**	**100**
Income:						
Below 5 Lac	89	86	40	87	129	86
Above 5 Lac	15	14	06	13	21	14
Total	**104**	**100**	**46**	**100**	**150**	**100**

Table 9: Ranking to the INSUFACTOs in LIC by the Respondents

S. No.	INSUFACTOs	Weights	10	9	8	7	6	5	4	3	2	1	Total Weighted Scores	Weighted Average Scores	Ranks
		Preferences	1	2	3	4	5	6	7	8	9	10			
1	Safety		720	162	80	7	6	0	8	0	0	0	983	17.87	I
2	Risk		70	108	72	105	36	30	20	24	24	24	513	09.32	VI
3	High Return		120	306	144	105	48	35	16	9	0	3	786	14.29	II
4	Tax Benefit		50	207	152	154	48	30	16	27	14	1	699	12.70	III
5	Easy Transaction		30	9	80	91	138	105	52	33	12	3	553	10.05	V
6	Customer Care		20	72	208	119	84	65	36	24	12	1	641	11.65	IV
7	Variety of Schemes		0	18	24	21	42	105	112	51	28	9	410	07.45	VII
8	Loan Facility		10	18	40	35	78	60	48	48	34	21	392	07.12	IX
9	Additional Facility		0	9	16	28	48	30	80	57	44	22	334	06.07	X
10	Easy Claim Procedure		20	27	16	63	96	60	28	39	40	20	409	07.43	VIII

** Weighted Scores / Total Weights = WS/TW = 983/55 = 17.67 and so on*

Table 10: Ranking to the INSUFACTOs in PLIC by the Respondents

S. No.	INSUFACTOs	Weights	10	9	8	7	6	5	4	3	2	1	Total Weighted Scores	Weighted Average Scores	Ranks
		Preferences	1	2	3	4	5	6	7	8	9	10			
1	Safety		370	36	24	7	0	0	0	3	0	0	440	08.00	I
2	Risk		10	99	40	28	18	15	12	6	6	11	245	04.45	V
3	High Return		40	162	40	28	6	35	0	15	0	2	328	05.96	II
4	Tax Benefit		0	54	80	70	60	5	8	3	6	3	289	05.25	VI
5	Easy Transaction		10	9	48	21	66	40	36	9	6	1	246	04.47	IV
6	Customer Care		10	9	104	84	36	15	20	12	2	0	292	05.30	III
7	Variety of Schemes		0	18	8	21	12	20	16	30	18	11	154	02.80	X
8	Loan Facility		10	9	8	21	30	45	32	30	14	1	200	03.63	VII
9	Additional Facility		0	18	16	21	12	20	20	18	22	11	158	02.87	IX
10	Easy Claim Procedure		10	0	0	21	36	35	40	12	18	6	178	03.23	VIII

** Weighted Scores / Total Weights = WS/TW = 440/55 = 08.00 and so on*

Table 11 : Expected and observed INSUFACTOs

S. N.	INSUFACTOs				Ranks
	Expected	Observed			
		LIC	PLICs	Insurance Sector	
1	Safety	Safety	Safety	Safety	I-Safety
2	Risk	High Return	High Return	High Return	II-High Return
3	High Return	Tax Benefit	Cust.-Care	Tax Benefit	III-Tax Benefit
4	Tax Benefit	Cust.-Care	Easy Trans.	Cust.-Care	IV-Cust.-Care
5	Easy Trans.	Easy Trans.	Risk	Easy Trans.	V-Easy-Trans.
6	Cust.-Care	Risk	Tax Benefit	Risk	VI-Risk
7	Variety of Sch.	Variety of Sch.	Loan Fac.	Loan Fac.	VIII-Loan Fac.
8	Loan Facility	Easy Claim Pro.	Easy Claim Pro.	Easy Claim Pro.	VIII-Easy Claim Pro.
9	Addi. Facility	Loan Fac.	Addi. Facility	Variety of Sch.	IX-Variety of Sch.
10	Easy Claim Pro.	Addi.-Facility	Variety of Sch.	Addi.-Facility	X – Addi.-Facility

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MOTIVATIONAL DETERMINANTS OF ENTREPRENEURIAL CAREER CHOICE: A CROSS-SECTIONAL STUDY

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ABSTRACT

This paper attempts to make a comparative study of the occupational motivation of entrepreneurs (who have opted for self-employment with uncertain pay-off) and non-entrepreneurs (who have opted for organizational-jobs with fixed pay-off). Different occupational motives with potential discrimination power between entrepreneurs and non-entrepreneurs were identified and grouped together using factor analysis. It was found that there was no significant difference in the value or importance (valance) of different occupational motives for entrepreneurs and non-entrepreneurs, but differences in perceived instrumentality of the careers had been causing the difference in their motivation and career choice. A person is likely to choose an entrepreneurial career if he perceives that it can satisfy his occupational motives better through opting for an entrepreneurial career. On the other hand, if he perceives that his occupational motives can be achieved in a better way in non-entrepreneurial career, he will opt for non-entrepreneurial career. The discriminate analysis for the motivational factors found that only three motivational factors were significantly explaining the differences in occupational choice of the respondents.

Keywords: *Entrepreneur, Occupation, Motivation, Career*

INTRODUCTION

Our occupational self-image is an important part of our total self-image, and for many people it is the most important part. A person takes an occupation to satisfy many of his needs- not only monetary but also other needs such as social, self-esteem and self-actualization. Therefore, while choosing his career a person would have considered how a particular occupation might act as an instrument for satisfaction of his needs. The theories of occupational choice attempt to link the career choice to motivation. What motivates a person to choose entrepreneurial career? Do the entrepreneurs have a different set of motives in comparison to non-entrepreneurs have a different set of motives in comparison to non-entrepreneurs or they perceive the instrumentality of entrepreneurial career and non-entrepreneurial career differently for satisfying their motives? Most of the available literature addresses the first part of this question and various motives such as need for achievement; need for autonomy, need for power etc. were found associated with entrepreneurial choice. However, most of this research is a part of the search for an entrepreneurial personality; therefore, it deals with dominating needs of entrepreneurial people instead of the process of motivation. In other words, the research on entrepreneurial motivation is so far based on the 'content theory' instead of the 'process theory' of motivation. The study involves a cross-sectional comparison of occupational motives of entrepreneurs (those who self-employed) and non-entrepreneurs (those who are organizationally employed), and their perceptions regarding the instrumentality of these two types of the careers for accomplishment of their occupational motives. The respondents have been asked to evaluate the importance of different occupational motives for them and to ascertain whether a particular motive can be better satisfied in entrepreneurial career or in non-entrepreneurial career. The later part of the question measures the perceived instrumentality of a career for satisfaction of a particulars motive. In this way, the study is based on 'process theory' framework. Since the entrepreneurial motivation has been found culture specific, the question of study area has an immense importance. The sample area of the present study is Garhwal Himalaya, a division of Uttaranchal state comprising six districts. Despite of having good economic opportunities, this region is deficient in entrepreneurial activities. The knowledge of the dynamics of entrepreneurial motivation can be helpful in designing sui Annexure entrepreneurial development programmes for the region.

Objectives Of The Study

In backdrop of the above facts, the present study aims to address the following questions:

(i) Do the entrepreneurs have a different set of occupational motives in comparison to non-entrepreneurs?

(ii) Do the entrepreneurs perceive different instrumentality of entrepreneurial and non-entrepreneurial careers for satisfying different occupation motives?

(iii) Does the overall motivational force towards entrepreneurial career significantly differ between entrepreneurs and non-entrepreneurs and which motives contribute significantly to this force?

(iv) In how many factors is it possible to categories the

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motives that contribute significantly to the differences of entrepreneurs' and non-entrepreneurs' motivational force?

(v) Which categories of motives cause significant difference in overall motivational force toward entrepreneurial career of entrepreneurs and non-entrepreneurs?

(vi) Is it possible to identify and predict about a person on the basis of his motivation whether he/she is an entrepreneur or a non-entrepreneur?

(vii) Can the inter personal differences in entrepreneurial motivation be explained based on the demographic characteristics (such as family background, education, pre-start-up business exposure etc.) and type of career decision (self-motivated or influenced) of entrepreneurs?

Methodology

The methodology of the study carried out to obtain the answers of above questions was as follow - A pool of 45 occupational motive statements was developed after having an informal discussion with entrepreneurs and non-entrepreneurs, and a review of literature. The first draft of the instrument developed to measure entrepreneurial motivation was administered on 54 students. This instrument contained two sets of statements to measure valence (in 5 point scale) and instrumentality (bipolar). Valence implies the value or importance (very high-vary low) that a respondent gives to a particular occupational motive; while instrumentality implies in which career (in entrepreneurial career or in non-entrepreneurial career) does the respondent think he could better satisfy this particular motive?. The instrument at this stage contained 45 occupational motive statements (items).

The motivational force towards entrepreneurial career was computed by multiplying valence score (1 to 5) and instrumentality score (–1 and +1 for pro-non-entrepreneurial career and pro-entrepreneurial career respectively) for each individual statement. Total motivational force of a respondent was computed by summing up the scores of individual items. Two groups of the respondents were constructed based on their total motivational force: first was represented by twenty-five percent of the respondents who has scored the highest overall score (the upper-most quartile) and second overall score (the lower most quartile). The average scores of respondents in above two groups for each item were compared. The items, which did not show a significant difference (based on t-test) in motivational force of above two group, bwere dropped from the scale. The scale developed following above methodology contained 34 items. It was administrated, along with other parts of the questionnaire, on 144 entrepreneurs and 98 non-entrepreneurs. (The original sample size was 150 and 100 respectively, but a few responses had to be dropped later because they were not found consistent.)

The valence score, the instrumentality score and the motivational force (toward entrepreneurial career) were worked out for all the respondents using same methodology as discussed above. The comparison was made between entrepreneurs and non-entrepreneurs using above scores. Since the scale was not standardized using the entrepreneurs and non entrepreneurs as respondents during first round of item analysis, the items which could not differentiate in terms of motivational force between entrepreneurs and non-entrepreneurs were further excluded from the analysis. Only remaining 25 items were used in subsequent analysis. A factor analysis was performed used valence scores of above 25 items. This analysis grouped together the items in six groups or factors. Out of these six factors of motives, four factors showed significant difference between entrepreneurs and non-entrepreneurs in items of their motivational force. Using the aggregate score of motivational force of above four factors a liner discriminate model was worked out to identify a person as entrepreneurs or non-entrepreneurs. On analysing the contribution of these factors in overall model, one factor was found to have only a marginal contribution. This factor was dropped out. The final model was constructed using three factors. The reliability of this model was tested using split-half method. Comparison were made between entrepreneurs and non-entrepreneurs and among entrepreneurs with different family backgrounds, nature of career decisions and commitment, based on their motivational score on different motivation factors.

Results and Discussion

Motives of Entrepreneurs and Non-Entrepreneurs

Out of thirty-four motive-statement, following three statements obtained highest valence score in both the categories of respondents (i.e. entrepreneurs and non-entrepreneurs). Therefore, these were identified as the highly pursed occupational motives:

- To utilize one's capabilities to full extent
- To gain social reputation
- To gain maximum possible success in the life

Comparison was made between average scores of entrepreneurs and non-entrepreneurs for all the thirty-four items, but scores of only three items were found statistically different, based on Student's t-test (Results are not produced here, but are available with the authors).

Instrumentalities of Entrepreneurs and non-Entrepreneurs Career

Despite the similarity in occupational motives, the occupational choice of people still may differ if they perceive the instrumentality of different occupations for fulfilment of their motives differently. To test the hypothesis, whether the perceived instrumentality of entrepreneurs and non-entrepreneurs career to satisfy a particulars motive differs significantly between entrepreneurs and non-entrepreneurs and therefore presents a possible explanation of their different career choice; the respondents were asked, 'in which career (between business and organizational-employment) do they think one can satisfy a particulars motive to a greater extent?'. A respondent was assigned a score of '+1' if his response to a particular motive statement was in favour to entrepreneurial career (i.e. business). On the contrary situation, a score of '–1' was assigned. To examine the statistical significance of the difference in instrumentality perception of entrepreneurs and non-entrepreneurs Chi-square test was used. Out of thirty-four items, twenty-two items showed significant differences in instrumentality perception at five percent level of significance.

The above analysis seems to suggest that the main determinant of occupational choice is perceived-instrumentality of different careers to satisfy one's motives, not the motives per se. However, the perceived instrumentality may differ from motive to motive. Therefore, the final choice would depend on an integrated motivational force determined by the interplay of valence and instrumentality. The following section tests this hypothesis:

Motivational Force of Entrepreneurs and Non-Entrepreneurs

Motivational force here refers to motivation force to become an entrepreneur. This variable has been derived for all the individual motive statements by multiplying its valence score and instrumentality score. The significance of the differences in their mean scores (of entrepreneurs and non-entrepreneurs) has been tested using t-test (Result not produced here). Out of thirty-four items, twenty-five items showed a statistically significant difference between average motivational force of entrepreneurs and non-entrepreneurs at ten percent level of significance (the significance level has been liberally increased). Since the main objective of this study is to identify the motivational determinants of career choice for entrepreneurs and non-entrepreneurs, only these twenty-five items were retained for further analysis.

Factor Analysis of Occupational Motives

Out of the twenty-five motive-items showing difference between entrepreneurs and non-entrepreneurs' motivational force, many items may be interrelated. Therefore, it may be possible that the actual number of motives is quite less than the number of items in the scale and the data can be reduced by grouping together the interrelated items in a single factor. To investigate on this possibility factor analysis of valence scores was preformed using common factor analysis techniques. Valence scores, instead of motivational force, were used for this purpose because valence scores reflect the multidimensional nature of occupational motives. Instrumentality (and therefore motivational force) is bi-dimensional in nature i.e., pro-entrepreneurship and anti-entrepreneurship. Factor analysis identified six factors tacking cut-off point of eigenvalue of 'one'. These six factors taking together explained 53.13% variability of original valence scores. Annexure-1 shows the eigenvalue and contribution to total variability of data set of each factor, before and after varimax rotation. The items were identified with different factors based on their factor loading after rotation. The minimum cut-off factor loading for an item to be identified with a particulars factor was taken 0.35. Items with low communalities (before 0.5) were not allocated to any factor. Out of total 25 items, 21 items could be identified with any one of the six factors based on the above criteria. These factors were given the following factor labels based on a logical interpretation of items represented in a factor:

1- Need for Social Recognition (Socially Recognised Achievements and Social Affiliation Motive).
2- Urge for Creativity
3- Need for power and luxuries
4- Need for Accomplishment
5- Needs for Leisure and Security.
6- Peace of Mind.

Annexure-2 Shows the representation of items in these factors together with their factor loadings. The composition of items in Factor-3 and Factor-5 is not conceptually consistent. After identifying six groups or factors of occupational motives, the average valence scores and average motivational force of all the respondents for these factors were obtained.

Annexure- 3 shows the mean factor valence scores of entrepreneurs and non-entrepreneurs. It is interesting to note that mean factor valence score of non-entrepreneurs is higher than the score of entrepreneurs except for the first factor. However, the differences are statistically non-significant except for fifth factor (leisure and security).

Annexure -4 shows that the mean motivational force of different factors of motives for entrepreneurs and non-entrepreneurs. The mean score of all the factors taking together is negative for non-entrepreneurs (–0.001) while it is positive and quite high for entrepreneurs (4.513). Out of six factors, four factors (i.e. F1, F2, F4 and F6) show statistically significant difference between entrepreneurs and non-entrepreneurs. However, it is interesting to note that the difference in fifth factors (F5) has now vanished. On the basis of above analysis, it seems that there are four main motivational factors (i.e. Need for social recognition, urge for creativity, need for accomplishment and peace of mind) affecting career choice. Out of them, first three factors affect the entrepreneurial choice positively while the last factor affects it negatively. The main source of difference between entrepreneurs and non-entrepreneurs is not at the level of recognition of needs or the valence, but it is at the level of the perceived instrumentality of entrepreneurs and non-entrepreneurs career to satisfy those needs. Now question arises that, to what extent is it possible or recognise a person as entrepreneurs and non-entrepreneurs based on his motivation. To find out the answer to this question, a discriminate analysis was carried out. The following section presents the results of this analysis.

Development of a Motivational Model of Career Choice

Since there are only two groups in the dependent variable (i.e. entrepreneurs and non-entrepreneurs), a two group discriminant analysis was carried out to get a linear classification function –

$$Z = \text{constant} + b1\ f1 + b1\ f2 \text{ ------------------ } bn\ fn$$

Where Z = the discriminant axis

b1, b2 ------ bn = discriminant weights

f1, f2 ------- fn = Motivation factor scores

(independent variables)

Since, out of six motivational factors only four were found showing significant difference is average scores, these four factors were taken in the discriminant function with different possible combinations, using step-wise analysis. Out of them, only three factors (F1, F2 and F4) were found sufficient to explain the difference between two groups. The fourth factor (F6) did not make any improvement in the results; therefore, this was dropped from the model. The following discrimination function was obtained (Annexure 5)

$$Z = -0.769 + 0.295\,F1 + 0.086F2 + 0.177\,F4$$

The negative constant indicates that in absence of any motivational factor there is a general possibility that a person will opt to become a non-enterpreneur rather then an entrepreneur. Need for social recognition (F1) was assigned highest weight followed by need for accomplishment (F4) and urge for creativity (F2). Discriminant effect of all the three factors is significant (as reflected in significant F-ratios in single degree-of-freedom polynomial cast); however, the R2 is relatively low. High value of Wilk's Lamdba (0.784) and low value of cononical correlation (0.465) show that the discrimination is rather poor but significant. Based on above results it can be said that, although the motivational factors have significant impact on entrepreneurial career choice, there may be some other variables affecting this behaviour.

All the 242 cases were classified between entrepreneurs and non-entrepreneurs categories using above discriminant function. Out of them, 180 (74.34%) cases were classified accurately (the probable accuracy of a blind classification is 50%). For validation of the model, the 242 cases were divided in two groups-the first group consisting odd cases and the second group consisting even cases. The discriminant analysis was carried out using these groups as test group one by one. All the 242 cases were classified as entrepreneurs and non-entrepreneurs using the obtained results. The results of this analysis have been presented in Annexure 6 (A&B). When first group was taken as test group, 72% cases of this group were classified accurately, while its predictive accuracy for classification of second group was found 78%. Similarly, when second group was used as test group and discriminant analysis was carried out on its basis; it classified 77% cases accurately within the group and accurately predicted 69% cases of the first group.

Interplay of Situational and Motivational Factors and their Impact on Entrepreneurial Choice

A person's motive, particularly higher-level motives, are caused variables, which are influenced by various situational factors. A person learns and starts to feel these motives during the socialisation process and these are reinforced continuously by environmental stimuli and responses. Therefore, a person's motivation can be understood and explained in relation to his situational context. Therefore, an attempt was also made to understand the impact situational factors on entrepreneurial motivation and the integrated influence of the situational variables and entrepreneurial motivation on entrepreneurial choice. Many situational and demographic factors (such as education, religion, caste, rural/urban background etc.) were included in the analysis, but only one situational factor i.e. family background, was found to have significant impact, therefore, only this factor is being discussed in the following lines. Annexure 7-9 show the difference between the entrepreneurial motivation of respondents from entrepreneurial and non-entrepreneurial family backgrounds. In the overall sample of entrepreneurial and non-entrepreneurial (Table-7), significant differences were fojnd in the level of entrepreneurial motivation between the respondents from entrepreneurial and non-entrepreneurial family background, except for 'urge for creativity', where the differences were not significant. The motivational score of the respondents from entrepreneurial family background was found higher than the motivational score of respondents from non-entrepreneurial family background for all the three motivational factors.

Annexure 8 and Table: 9 try explaining the interplay of motivational force and family background and its impact on their career choice. Annexure 8 shows a comparison between entrepreneurial motivational force of entrepreneurial and non-entrepreneurial from entrepreneurial family background. The Annexure shows that there are wide differences in the motivational level of these two groups. Similarly wide differences in motivation were observed between entrepreneurial and non-entrepreneurial from non-entrepreneurial family background. This analysis suggests that people from entrepreneurial family have higher tendency to opt for an entrepreneurial career, and they choose a non-entrepreneurial career only if their entrepreneurial motivation is very low. Similarly, a person from non-entrepreneurial family has a high possibility to opt for a non-entrepreneurial career and he needs vary high level of entrepreneurial motivation to enter into entrepreneurial career.

Impact of the Type of Decision on Entrepreneurial Motivation:

The differences in motivation scores of entrepreneurs who took their career decision willingly themselves and those who took their decision under influence of their family. The factor-wise average motivation score is higher for those entrepreneurs who took the decision willingly in comparison to those who took it under the influence of their family, but the differences are not significant. However, in aggregate analysis the score are significant different. Both of the aggregate measurements of entrepreneurial motivation (i.e. total motivational force, discriminant score), shows that the motivation-level of those respondents who took decision willingly is significantly high.

Impact of Motivation on Career Commitment

The study also attempted to test the hypothesis that a person with high entrepreneurial motivation will not only choose entrepreneurial career but will also remain committed to his choice. To test the hypothesis, a respondent was asked whether he would opt for an organisation job if it is offered him today and if the return from that job is same as he is getting from his present business. Annexure 11 shows that factor-wise differences in motivation between the respondents those who are willing to shift and those who are not. Those who are committed to their decision and do not want to shift the job, have higher average motivational scores in comparison to those who want to shift the job; and these differences are statistically significant. The average motivational force of entrepreneurs who want to shift their career in only 2.585, while for those who are committed to their present career, it is 6.440. It supports the hypothesis that the entrepreneurial motivation affects not only a person's career choice, but it also has an effect on his commitment to entrepreneurial career.

Conclusion

This paper has attempted to make a comparative study of the motivation of entrepreneurs (who have opted for self-employment with uncertain pay-off) and non-entrepreneurs (who have opted for organisational-jobs with fixed pay-off). Different occupational motives with potential discrimination power between entrepreneurs and non-entrepreneurs were identified and grouped together using factor analysis. It was found that there was no significant difference between entrepreneurs and non-entrepreneurs regarding the value or importance (valance) of occupational motives, but perceived instrumentality of career was causing the difference in the motivation. A person will choose an entrepreneurial career if he perceives that he can achieve his occupational career better by opting for entrepreneurial career. On the other hand, if he perceives that his occupational motives can be achieved in better way in non-entrepreneurs career, he will opt for the same. The discriminant analysis of the motivational factors found that only three motivational factors were significantly explaining the difference in occupational choice of the respondents. These factors are need for social recognition (socially recognized achievements and social affiliation), need for accomplishment and urge for creativity. Among them, the need for social recognition was found highly dominating11. Among situational factors, family background was found to affect entrepreneurial motivation significant. Respondents from entrepreneurial family background were found to have high entrepreneurial motivation. Study also found that entrepreneurs with high entrepreneurial motivation are more committed to their career. These findings, although still exploratory in nature, may have certain important implication for entrepreneurship development programmes. If a person does not opt for entrepreneurial career to satisfy a distinct set of needs, such as need for achievement, it is no longer required to attempt for development of such needs among trainees. Rather they should be convinced that the entrepreneurial career could be a good instrument for satisfaction of their occupational needs. Particularly, as it is highlighted by this study, that 'social recognition' is highly pursed occupational objective of the people in Garhwal region, they should be convinced that they could achieve high social recognition as an entrepreneur. Attempt should also be made at macro level to change the social vales and reward system in favour of entrepreneurial career so that the society gives more recognition to the entrepreneur. This goal can be achieved through educational programmes, both formal and informal.

Annexure: **1 Factor Analysis**

Factor	Eigen Value	Percentage Variance Explained		Cumulative Percentage after Rotation
		Before Rotation	After Rotation	
1.	5.383	24.468	24.468	8.097
2.	1.564	7.109	7.109	21.291
3.	1.429	6.496	6.496	29.033
4.	1.169	5.313	5.313	37.703
5.	1.128	5.126	5.126	47.009
6.	1.016	4.619	4.619	53.132

Annexure: **2 Items Included in Different Factors**

Factor No.	Item No.	Description of Item	Factor Loading	Factor Label
1.	S1	I wish to establish my identity in the society.	0.499	Need for Social recognitio
	S2	I want to make my social position strong.	0.589	
	S3	I wish to elevate the living standard of my family.	0.626	
	S4	I wish to establish myself as an ideal in the society.	0.590	
	S5	I wish to establish social relationship with maximum number of people.	0.715	
	S6	I wish to do something important which society will recognise.	0.690	
2.	C1	I want to do something creative.	0.566	Urge for creativity
	C2	I want to do some challenging work.	0.698	
	C3	I want to do something different, which has not been done earlier.	0.670	
3.	P1	Some people should be my subordinate	0.575	Need for power and luxuries
	P2	I want to lead luxuries life.	0.744	
	P3	I want to be more and more influential.	0.753	
4.	A1	I want to have autonomy in working and decision-making	0.549	Need for accomplishme nt
	A2	I want to avail all the possible opportunities of progress	0.345	
	A3	I want to gain maximum success in my life.	0.526	
	A4	I want to face the challenges.	0.555	
	A5	I want to give employment to others	0.696	
5.	S1	I want to have leisure time for family and entertainment	0.646	Need for leisure and security
	S2	I want to earn a secure income	0.749	
6.	P1	I want to have minimum work stress.	0.702	Peace of mind
	P2	I should have minimum pressure of responsibilities	0.695	

Annexure: **3 Mean Scores of Valance of Different Motives Grouped**

Factor No.	Factors	Mean Score		Standard Deviation		t	Prob.
		Ent.- X1	Non Ent.- X2	Ent.- σ_1	Ent.- σ_1		
F1.	Need for Social Recognition	3.963	3.944	0.668	0.730	0.212	0.832
F2.	Urge for Creativity	3.560	3.650	0.957	0.899	0.747	0.456
F3.	Need for Power and Luxuries	2.593	2.776	0.887	0.913	1.549	0.123
F4.	Need for Accomplishment	3.740	8.869	0.679	0.668	1.469	0.143
F5.	Need for Leisure and Security	3.220	3.455	0.889	0.903	2.014	0.045
F6	Peace of Mind	2.621	2.738	0.994	0.991	0.905	0.367

Note: Factor Scores have been obtained by getting the mean of scores of items included in a factor

Annexure: **4 Mean Scores of Motivational Force of Different Motives Grouped**

Factor	Mean Score		Standard Deviation		t	Prob.
	Ent.- X1	Non Ent.- X2	Ent.- σ_1	Ent.- σ_1		
Total	4.513	-0.001	6.338	6.990	5.119	0.000
F1.	1.844	-0.459	2.396	2.429	7.283	0.000
F2.	2.234	0.588	2.300	3.025	4.561	0.000
F3.	0.963	0.646	1.867	1.748	1.346	0.180
F4.	2.621	1.249	1.593	2.121	5.442	0.000
F5.	-1.674	-1.551	2.324	2.376	-0.397	0.691
F6	-1.476	-0.474	2.136	2.221	-3.495	0.001

Note: Factor Scores have been obtained by getting the mean of scores of items included in a factor.

Annexure: **5 Discriminant Analysis**

Predictor Factor	Classification Function		Canonical Co efficient	Canonical Load	Univariate F(1,240)
	Ent.	Non-Ent.			
Constant	-1.760	-1.049	-	-	-
F1	0.101	-0.214	0.712	0.898	53.313 (0.000)
F2	0.055	-0.037	0.225	0.590	23.044 (0.000)
F4	0.697	0.509	0.323	0.706	23.944 (0.000)

Canonical Correlation = 0.465
Wilk's Lambda = 0.784
Liner Discriminant Function:

$$Z = -0.769 + 0.295F1 + 0.086\ F2 + 0.177\ F4$$

Frequency Classification:

Actual	Classified		Total
	Ent.	Non-Ent.	
Ent.	121	23	144
Non-Ent.	39	59	98
Total	**160**	**82**	**242**

Accuracy in Classification = 74.38%

Annexure: **6 (A) Odd Number Respondents of Test Group and Evan Number Respondents as Control Group**

Predictor Factor	Classification Function		Canonical Co-efficient	Canonical Load	Univariate F(1,240)
	Ent.	Non-Ent.			
Constant	-1.606	-1.284	-	-	-
F1	0.058	-0.202	0.676	0.885	21.849 (0.000)
F2	0.066	-0.020	0.225	0.620	10.725 (0.001)
F4	0.725	0.535	0.351	0.746	15.492 (0.000)

Canonical Correlation = 0.436
Wilk's Lambda = 0.810
Accuracy in Classification:
Test Group = 72%
Control Group = 78%

Annexure: **6 (B) Even Number Respondents as Control Group and Odd Number Respondents and Test Group**

Predictor Factor	Classification Function		Canonical Co-efficient	Canonical Load	Univariate F(1,240)
	Ent.	Non-Ent.			
Constant	-1.562	-1.240	-	-	-
F1	0.148	-0.229	0.746	0.910	32.273 (0.000)
F2	0.044	-0.053	0.224	0.560	12.242 (0.001)
F3	0.659	0.476	0.295	0.644	17.202 (0.000)

Canonical Correlation = 0.497
Wilk's Lambda = 0.753
Accuracy in Classification:
Test Group = 77%
Control Group = 69%

Annexure: **7 Effect of Family Background on Motivation**

S N	Motivational Factor	Family Background	N	Mean	S.D.	t	p
1-	Need for Social Recognition	Ent.	101	1.329	2.577	2.095	0.037
		Non-Ent.	41	0.631	2.684		
2-	Urge for Creativity	Ent.	101	1.888	2.746	1.543	0.124
		Non-Ent.	141	1.338	2.713		
3-	Need for Accomplishment	Ent.	101	2.376	2.012	2.097	0.037
		Non-Ent.	141	1.843	1.867		
4-	Total Motivational Force	Ent.	101	5.593	6.021	2.350	0.020
		Non-Ent.	141	3.793	5.663		
5-	Discriminant Score	Ent.	101	0.206	1.137	2.698	0.017
		Non-Ent.	141	0.147	1.101		

Annexure: **8 Differences in Motivation Score of Entrepreneurs and Non-Entrepreneurs from Entrepreneurial Family Background**

S N	Motivational Factor	Ent./Non-Ent.	n	Mean	S.D.	t	p
1-	Need for Social Recognition	Ent.	72	2.139	2.132	5.324	0.000
		Non-Ent.	29	-0.683	2.513		
2-	Urge for Creativity	Ent.	72	2.519	2.187	3.260	0.002
		Non-Ent.	29	0.322	3.353		
3-	Need for Accomplishment	Ent.	72	2.822	1.621	3.146	0.003
		Non-Ent.	29	1.269	2.451		
4-	Total Motivational Force	Ent.	72	7.480	4.499	4.797	0.000
		Non-Ent.	29	0.908	6.803		
5-	Discriminant Score	Ent.	72	0.578	0.869	5.265	0.000
		Non-Ent.	29	-0.719	1.206		

Annexure: **9 Differences in Motivation Scores of Entrepreneurs and Non-Entrepreneurs from Entrepreneurial Family Background**

S N	Motivational Factor	Ent./Non-Ent.	n	Mean	S.D.	t	Prob.
1-	Need for Social Recognition	Ent.	72	1.550	2.616	4.529	0.000
		Non-Ent.	69	-0.365	2.405		
2-	Urge for Creativity	Ent.	72	1.949	2.389	2.787	0.006
		Non-Ent.	69	0.700	2.895		
3-	Need for Accomplishment	Ent.	72	2.419	1.550	3.918	0.000
		Non-Ent.	69	1.241	1.986		
4-	Peace of Mind	Ent.	72	-1.583	2.024	3.200	0.002
		Non-Ent.	69	-0.457	2.152		
5-	Total Motivational Force	Ent.	72	5.919	4.976	4.903	0.000
		Non-Ent.	69	1.576	5.155		
6-	Discriminant Score	Ent.	72	0.284	1.004	5.173	0.000
		Non-Ent.	69	-0.598	1.019		

Annexure**: 10 Differences in Motivation Scores of the Entrepreneurs who took Decision willingly themselves and Entrepreneurs who took the Decision under the Influence of others**

S N	Motivational Factor	Decision Type.	N	Mean	S.D.	t	Prob.
1-	Need for Social Recognition	Willingly	92	2.131	2.246	1.933	0.056
		Influenced	51	1.318	2.442		
2-	Urge for Creativity	Willingly	92	2.435	2.093	1.273	0.206
		Influenced	51	1.889	2.635		
3-	Need for Accomplishment	Willingly	92	2.824	1.479	1.862	0.066
		Influenced	51	2.286	1.743		
4-	Total Motivational Force	Willingly	92	7.389	4.648	2.261	0.026
		Influenced	51	5.493	4.888		
5-	Discriminant Score	Willingly	92	0.569	0.927	2.320	0.022
		Influenced	51	0.187	0.953		

Annexure: **11 Differences in Motivation between Entrepreneurs who want to Shift their Career and who do not want to Shift**

S N	Motivational Factor	Want to shift the career	N	Mean	S.D.	t	Prob.
1-	Need for Social Recognition	Yes	72	1.147	2.541	3.638	0.000
		No	72	2.542	2.030		
2-	Urge for Creativity	Yes	72	1.912	2.341	1.690	0.093
		No	72	2.556	2.228		
3-	Need for Accomplishment	Yes	72	2.239	1.675	2.953	0.004
		No	72	3.003	1.419		
4-	Total Motivational Force	Yes	72	0.732	0.788	4.011	0.000
		No	72	0.130	1.001		
5-	Discriminate Score	Yes	72	0.559	0.216	4.030	0.000
		No	72	0.690	0.174		

IMPACT OF FOREIGN DIRECT INVESTMENT ON GDP

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ABSTRACT

FDI is an important catalyst for the growth of Indian economy. Recently, Foreign Direct Investment has become the hot issue with government allowing FDI in retailing and increasing the FDI cap in insurance sector from 24% to 49%. Developing countries like India need substantial foreign inflows to achieve the required investment to accelerate economic growth and development. This paper is an attempt to study the FDI distribution in India and to find the relationship between FDI inflows and GDP. The study establishes that inflow of FDI has a significantly positive impact on GDP of India.

Keywords: *FDI Inflows, GDP, GDP at factor cost, GATT*

INTRODUCTION

One of the most noteworthy concerns that have been analyzed in the context of development of economic landscape is Foreign Direct Investment (FDI).It can be defined as an investment by the multinational companies to the host countries that receive the investments over which they have control and earn private return. Therefore, government of host country regulates the policies of FDI to regulate the influence of home countries. In the last two decades, FDI showed the most remarkable growth rate in the global economic landscape. Such an unprecedented growth makes FDI an important and vital component of development strategy in both developed & developing nations. From time to time various policies on FDI are also designed by Government in such a manner to promote the inward investments. Both the host and the home countries benefit a lot from such type of investments, therefore, they are directly interested in inviting FDI. India has been a major recipient of FDI in majority of sectors and different states since 1990. According to recent survey of UNCTAD, starting from a baseline of less than $1 billion in 1990 projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the assessment, the sector which attracted higher inflows was services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and the UK were among the major countries for FDI in India. Survey showed that foreign direct investment in India in 2010 was $44.8 billion, and in 2011 experienced an increase of 25% to $50.8 billion. India has seen an eight fold increase in its FDI since March 2012.

FDI Policy and Agreement

As far as FDI policy is concerned, India has one of the most transparent as well as liberal FDI policy regime among the emerging and developing economies. The policy of FDI is updated in every six months to capture and keep pace with the regulatory changes. The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry makes policy pronouncements on FDI through Press Notes/ Press Releases which are notified by the Reserve Bank of India. Most of the activities have been promoted by FDI policy except Retail Trading, Lottery Business, Gambling and Betting including casinos, Chit funds, Nidhi company, Trading in Transferable Development Rights (TDRs), Real Estate Business or Construction of Farm Houses, Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes and not open to private sector investment. Furthermore, India is the founding member of GATT (General Agreement on Trade and Tariffs) and a signatory member of South Asian Free Trade Agreement (SAFTA). It has signed BITs (Bilateral Investment Treaties) with both developed and developing nations. Also it maintains double tax avoidance agreements (tax treaties) with 70 countries (up to 2006); Apart from BITs and tax treaties India is the member of many FTAs (Free Trade Area, nearly 17 in numbers, up to 2006). (Sapna Hooda, 2010)

Review of Literature

Bhagwati J. N. (1978), in his study "Anatomy and Consequences of Exchange Control Regimes" analyzed the impact of FDI on international trade. He concluded that countries actively pursuing export led growth strategy can reap enormous benefits from FDI. **Balasubramanyamet. al (1996)** tested the hypothesis that export promoting (EP) FDI in countries like India confer greater benefit than FDI in other sectors. They have used production function approach in which FDI is treated as an independent factor input in addition to domestic capital and labor.

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Borensztin et al. (1998) examine absorptive capacity of recipient country, which is measured by stock of human capital required for technological progress; it takes place through 'Capital Deepening' associated with new capital goods brought into an economy by FDI. Alhijazi **Tahya Z.D(1999)** analyzed the pros and cons of FDI for developing countries and other interested parties. This study scrutinizes the regulation of FDI as a means to balance the interests of the concerned parties, giving an assessment of the balance of interests in some existing and potential FDI regulations. The study also highlights the case against the deregulation of FDI and its consequences for developing countries.

Gazioglou S. and Mc. Causland W.D.(2000), in their study developed a micro –foundations framework of analysis of FDI and integrated it into a macro level analysis. They highlighted the importance of profit repatriation in generating different effects of FDI on net international debt, trade and real exchange rate in developed economies compared to less developed economies.

Nair-Reichart and Weinhold (2001) postulated panel and time series estimators to impose homogeneity assumptions across countries in the relationship between FDI and growth. They marshal evidence to show considerable heterogeneity across countries. Assumption of homogeneity can result in biased estimates which tend to yield invalid inferences and furnish faulty policy guidelines.

Meyer K. E. (2003) in his paper "Foreign Direct investment in Emerging Economies" focuses on the impact of FDI on host economies and on policy and managerial implications arising from this (potential) impact. The study finds out that as emerging economies integrate into the global economies international trade and investment will continue to accelerate.

Singh K. (2005) explored the uneven beginnings of FDI, in India and examines the developments (economic and political) relating to the trends in two sectors: Industry and Infrastructure and sub sector Telecom. **Kristina K. (2005)** compares Finish Investment during the restrictive period in1984-1997, with the liberal period in 1998-2002. The study reveals that the political environment of the firm in the host country may have a special role among the other parts of the firm's environment because of the supremacy of the host government to use its political power in order to intervene in FDI.

Propis. L. D and Driffield N. (2006) examine the link between cluster development and inward foreign direct investment. They concluded that firms in clusters gain significantly from FDI in their region, both within the industry of the domestic firm and across other industries in the region. **Nuno C. and Maria F. P. (2007)** analyze the factors determining the existence, dimensions and sign of FDI spillovers. They identify that FDI spillovers depend on many factors like absorptive capacities of domestic firms and regions, the technological gap, or the export capacity.

Rajan R. S., Rongala S. and Ghosh R. (2008) concluded that India needs massive investments to sustain high-quality economic growth, particularly in the energy and infrastructure sectors (both physical and social). Policymakers are looking at FDI as the primary source of funds. It is important to keep in mind that FDI on its own is not a panacea for rapid growth and development.

Chaturvedi I. (2011) analyzed that the Sector wise Analysis of FDI Inflow in India reveals that maximum FDI has taken place in the service sector including the telecommunication, information technology, travel and many others. **Sanyal P. R., Singh N. and Tripathi S., (2011)** examined that the performance of foreign direct investment till date is round about the satisfactory level baring the certain issues and challenges. **Shri Prakash and Sharma S. (2011)** preferred input output to econometric modeling, since regression gives only direct impact multipliers irrespective of the degree of sophistication of modeling. IO model easily captured both direct and indirect output effects of FDI.

Objectives of the Study

1. To analyze the distribution of FDI in India.
2. To examine the relationship between FDI inflows and GDP of India.

Research Methodology

The study is based on analytical as well as descriptive. The data have been collected through secondary sources such as World Investment Reports, various Bulletins of Reserve Bank of India, UNCTAD Publications, Economic survey 2011-12, etc. It is a time series data and the relevant data have been collected for the period from 1991 to 2012.Both correlation and regression analysis have been applied to know the cause and effect relationship between the variables: FDI Inflows and GDP of India. Although there are other factors affecting the GDP of India but to know the correlation between FDI and GDP growth the researcher assume the rest of the factors constant. The statistical significance of regression coefficients have been worked out and tested accordingly. The data used in the study were analyzed with the help of Statistical Package of Social Science 13.

Hypothesis

In order to attain first objective of the study, statistical approach 'Frequency distribution' was applied. To attain second objective of the study, the below null and alternative hypotheses were made and tested statistically. The dependent and independent variables of the study are:

Dependent variable	Independent Variable
GDP at Factor cost	FDI Inflows

Ho: There is no significant correlation between the FDI inflows and GDP of India

H1: There is significant correlation between the FDI inflows and GDP of India

Linear Regression Model:

GDPfc= ? + ? * FDIInflows+ e

Where, GDPfc= Gross Domestic Product at factor cost

? = some constant

? = Coefficient

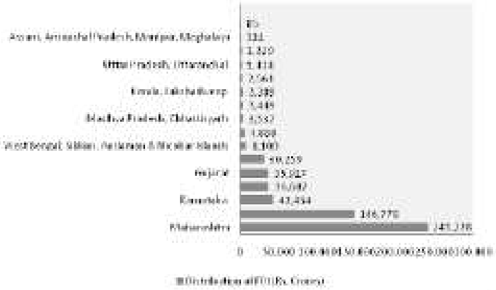
FDIInflows= Foreign Direct Investments Inflows in India

e = Error term

Data analysis and Interpretation

State- Wise Distribution of FDI

Daigram-1



The above diagram depicts that Maharashtra (also includes Dadra & Nagar Haveli, Daman & Diu) received highest FDI inflows I e Rs 2,41,228 crores from April 2000 to January 2012. It constitutes 34% of India's total FDI inflows followed by Karnataka i.e., 20%, Gujarat 6%, and so on. Total cumulative FDI inflows in the above states are Rs5, 62,301Crores from the period starting from April 2000 to January 2012.

Sector wise Distribution

Daigram-2

It clearly shows that the service sector received highest FDI inflow i.e., 31 percent during the period starting from April 2000 to January 2012 followed by telecommunication, computer hardware and software, Housing & Real estate, etc., and only 2% in Petroleum and Natural gas

Results & Discussion

This study has been primarily focused on assessment of impact of FDI inflows on growth of GDP in India. For this purpose, the trends of FDI flows and GDP growth in India have been analyzed since 1991-92 to 2011-12. It was found that there is positive cause and effect relationship between the FDI inflows and GDP of India i.e. FDI inflows is cause where GDP of India is its effects. This section first describes descriptive statistics followed by correlation analysis and regression analysis which have been presented below:

Descriptive Statistics:

The descriptive statistics for variables used would provide insight to the average size and deviation of individual values from the mean value of the variable. .

Table 3: Model summary

Variables	Minimum	Maximum	Mean	Standard Deviation	N
Dependent Variables					
FDI Inflows (Rs. Crore)	326.00	332575.00	78332.60	98590.11	20
Independent Variables					
GDP Fc (Rs. Crore)	1367171.00	5202514.00	2783740.52	1176939.04	21

The table provides a summary of the descriptive statistics for the variables used in the study for the period of 1991-1992 to 2011-2012. It reports the minimum, maximum, mean, standard deviation and number of observations in years for each of the dependent and independent variable. It can be analyzed that there is drastic increase in FDI Inflows and GDP growth since 1991-92; but the rate of growth of FDI Inflow is more rapid than growth of GDP in India.

Correlation analysis

The table 2 gives a summary of variables used in the study and matrix of linear correlation of regression variables. An analysis of correlation variables would provide valuable insights into a positive impact of FDI Inflow on GDP growth.

Table 2: Correlation Matrix

		FDI Inflows	GDP at Fc
FDI Inflows	Pearson Correlation	1	.905(**)
	Sig. (2-tailed)	.	.000
	N	20	20
GDP at Factor cost	Pearson Correlation	.905(**)	1
	Sig. (2-tailed)	.000	.
	N	20	21

**** Correlation is significant at the 0.01 level (2-tailed).**

The above correlation matrix table displays significant Pearson correlation coefficients between the variables. It depicts that the relation of FDI Inflows is strongly related with GDP at factor cost as value is .905. The value of Pearson correlation coefficients is close to 1 showed positive and strong correlation between the variables as well as significant at 0.01level of significance.

Regression Analysis

Linear regression analysis is used to investigate the relationship between the dependent and independent variables. The relationship is studied and analyzed from 1991-92 to 2011-12which are presented below:

Table 3: Model summary

Statistics	R	R Square	F	Adjusted R Square	Beta	Sig.	df
Value	.905(a)	.818	81.034	.808	.905	.000(a)	1

(a) Predictors: (Constant), FDI Inflows

The results from the regression model $\mathbf{GDP_{t_c}} = \alpha + \beta * \mathbf{FDI_{Inflows}} + \mathbf{e}$ denoted that value of r is closer to 1 means there is stronger correlation and tendency between the variables. It indicates that as the inflows of FDI increase the growth of GDP in India also tends to increase. The F-statistics prove the validity of the estimated model. Also, the computed regression equation show that the beta coefficient of FDI Inflows is .905 (i.e. -1<.905<+1) and have statistically significant at 99 % confidence interval. Hence, the null hypothesis is rejected and alternate hypothesis is accepted that there is significant correlation exists among the variables FDI inflows and GDP of India.

Conclusion

The present study establishes that inflow of FDI has a significantly positive impact on GDP of India since 1990-91 with the rejection of null hypothesis. Till 1990s it was observed that very small proportion of FDI was contributing towards GDP of India due to slow growth of foreign exchange and industrialization. Later it was analyzed that the rate of growth of FDI Inflow is more rapid than growth of GDP in India. According to last year investment result, FDI constitutes around 50% of GDP thus Mauritius, Singapore, the US and the UK were among the leading sources of FDI in India. Further, Maharashtra (also includes Dadra & Nagar Haveli, Daman & Diu) is the state that received highest FDI inflows I e Rs 2,41,228 crores from April 2000' to January 2012. It constitutes 34% of India's total FDI inflows followed by Karnataka i.e., 20%, Gujarat 6%, and so on. Also, the sector that received maximum contribution of such foreign investment is Service sector having 20% of FDI i.e. Rs 1, 43,878 since April 2000 to till date. Hence, FDI is a tool that provides an inflow of foreign capital and funds, investment in addition to an increase in the transfer of skills, technology, and job opportunities in developing countries.

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Annexure 1

FDI in India and Economic Indicators

Year	FDI Inflows In India	GDP at factor cost At constant prices
	In RsCrores	*In RsCrores*
1991-92	326	1367171
1992-93	1713	1440503
1993-94	13026	1522343
1994-95	16133	1619694
1995-96	16364	1737740
1996-97	21773	1876319
1997-98	20014	1957031
1998-99	10101	2087827
1999-00	22450	2246276
2000-01	31015	2342774
2001-02	38874	2472052
2002-03	29105	2570690
2003-04	72139	2777813
2004-05	69042	2971464
2005-06	94981	3253073
2006-07	135080	3564364
2007-08	249921	3896636
2008-09	110123	4158676
2009-10	332575	4507637
2010-11	281897	4885954
2011-12	NA	5202514

Base year: 2004-05, Source: RBI bulletin

Annexure 2

State- Wise Distribution of FDI

S. N.	RBI's Regional Office Jan. 12")	State covered	Cumulative Inflows (April ?00 -	%age to total Inflows
1	Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	241,228	34
2	New Delhi	Delhi& NCR	146,778 20	
3	Bangalore	Karnataka	42,434 6	
4	Chennai	Tamil Nadu	36,602 5	
5	Ahmedabad	Gujarat	35,927 5	
6	Hyderabad	Andhra Pradesh	30,259 4	
7	Kolkata	West Bengal, Sikkim, Andaman & Nicobar Islands	8,100	1
8	Chandigarh	Chandigarh, Punjab, Haryana, Himachal Pradesh	4,888	1
9	Bhopal	Madhya Pradesh, Chhattisgarh	3,537	1
10	Panaji	Goa	3,449	1
11	Kochi	Kerala, Lakshadweep	3,389	1
12	Jaipur	Rajasthan	2,561	0.3
13	Kanpur	Uttar Pradesh, Uttaranchal	1,414	0.2
14	Bhubane shwar	Orissa	1,329	0.2
15	Guwahati	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura	321	0.1
16	Patna	Bihar, Jharkhand	85	0
	SUB TOTAL		**5,62,301**	**100**

Annexure 3 Sectors attracting highest FDI Equity inflow:

Ra-nks	Sector	Cumulative Inflows (April ?2000- Jan. ?2012)	% age to total Inflows (In terms of US$)	Ra-nks	Sector	Cumulative Inflows (April ?2000- Jan. ?2012)	% age to total Inflows (In terms of US$)
1.	Services Sector (Financial & Non-Financial)	143,878	20 %	6.	Drugs & Pharmaceuticals	42,745	6 %
				7.	Power	32,798	5 %
2.	Telecommunications (Radio Paging, Cellular Mobile, Basic Telephone Services)	57,050	8 %	8.	Automobile Industry	29,354	4 %
				9.	Metallurgical Industries	26,287	4 %
				10.	Petroleum & Natural Gas	14,612	2 %
3.	Computer Software & Hardware	49,626	7 %				
4.	Housing & Real Estate	49,025	7 %				
5.	Construction Activities (Including Roads & Highways)	49,440	7 %				

Source: Compiled from RBI Bulletin

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CUSTOMER SATISFACTION ON SALES PROMOTION MIX IN SHOPPING MALLS, INDORE

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ABSTRACT

The retailing sector in India has undergone significant transformation in the past 10 years. The organized retail industry in India is to grow 25-30 per cent annually and would triple or four times in size by 2014. Retailing is gradually inching its way towards becoming the next boom industry. The customer satisfaction process is a complex phenomenon. The purchase of goods or services includes a number of factors that could affect each decision. Customer satisfaction is more complex and even more important for retailers today than in past. The objectives of this study were to investigate the effects of sales promotion mix on customer satisfaction in shopping malls of Indore city and to study the variations in these factors across different demographic variables. Mall intercept survey was conducted to study of sales promotion mix on customer satisfaction in shopping malls of Indore city. The sample included 175 active mall shoppers. The sales promotion mix on customer satisfaction were identified by a structure questionnaire and captured in 5 factors of sales promotion mix. These sales promotion mix factors were Lucky and Bumper offers, Frequent and Warranty Offers, Monetary and Quantity Benefit Offers, Gift and Exchange offers and Discount offers. The study will help the managers of shopping malls to understand the underlying sales promotion factors on customer satisfaction of the shoppers in the malls and help them to craft their marketing strategies. Profiling customers by their choice of sales promotion mix provide more meaningful ways to identify and understand various customer segments and to target each segment with more focused marketing strategies.

Keywords: customer satisfaction, sales promotion mix, shopping malls, organized retailing

INTRODUCTION

Promotion is the process of marketing communication to inform, persuade, remind and influence consumers or users in favor of product or service. Promotion has three specific purposes. It communicates marketing information to consumers, users and resellers. Promotion persuades and convinces the buyer and influences his/her behavior to take the desired action. In this process the promotional mix includes four ingredients, advertising; Publicity; Personal Selling; Sales Promotion. The term Promotion – Mix is used to refer to the combination of different kinds of promotional tools used by a firm to advertise and sell its products. It is one of the four aspects of promotional mix. Sales promotions are specific efforts that are designed to have an immediate impact on sales. Sales promotion refers to many kinds of incentives and techniques directed towards consumers and traders with the intention to produce immediate or short term sales effects. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes etc. A shopping center, shopping mall, or shopping plaza, is the modern adaptation of the historical marketplace. The mall is a collection of independent retail stores, services, and a parking area, which is conceived, constructed, and maintained by a separate management firm as a unit. The everyday definition of retail and organized retailing can be described as the act of selling of goods and merchandise from a fixed location. An important aspect of the current economic scenario in India is the emergence of organized retail. There has been considerable growth in organized retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Organizations need to retain existing customers while targeting non-customers. Measuring customer satisfaction provides an indication of how successful the organization is at providing products and/or services to the marketplace. Customer satisfaction is measured at the individual level, but it is almost always reported at an aggregate level. It can be, and often is, measured along various dimensions. The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement and in term of their perception and expectation of performance of the organization being measured. Their satisfaction is generally measured on a five-point scale.

RIVEW OF LITERATURE

There is substantial volume of empirical work conducted in the field of sales promotion mix, customer satisfaction and shopping malls. Sales promotion is a mega business in today's competitive world for shopping malls. Sales promotion on customer satisfaction is prepared with tremendous amount of research and effort to remain in the subconscious mind for long.

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Anselmsson Johan (2006), this paper was developed and validates a conceptualization of shopping mall satisfaction based on field studies in Sweden. They had observed that Customer satisfaction with a shopping centre may be viewed as an individual's emotional reaction to personal evaluation of the total set of experiences encountered at the shopping centre. Also, customer interactions with shopping centre establishments involve a variety of different activities. Researcher had taken 8 factors to find out the customer satisfaction. Furthermore, this study had also investigated whether sources of satisfaction differ in importance with respect to gender and age, generally two important variables for retail segmentation. The result was focused on number of characteristics of shopping malls in comparison of customer satisfaction. Researcher had found that Selection was the most important factor of customer satisfaction.

Bromley Rosemary D. F. & Matthews David L (2007), this paper was researched specially for those wheelchair customers who were unable to discuss earlier about their shopping experience in various shopping malls and super market. So, this paper was again a searching of customer satisfaction but in separate segment or demographic area.

B. Kamaladevi (2010), Survival of fittest & fastest is the mantra of today's business game. To compete successfully in this business era, the retailer must focus on the customer's buying experience. To manage a customer's experience, retailers should understand what "customer experience" actually means. Finally; in conclusion there are some fundamental points: Customer Experience Management is not simply an old idea in a new wrapper. The result was that there are now more services and products available than at any time in the past, yet customer satisfaction are on a downward slide.

Goff C. Brent, Boles S. James, Bellenger N. Danny & Stojack Carrie (1997), The main objective of this paper was to examine of one non product related construct on consumer satisfaction with a major retail purchase. In the present research, researcher have assumed that the customer satisfaction and their product evaluation not only depend on product performance but they also on the interaction with the sales person's and their efforts, they have also focus on that salesperson is now the basic need of retail sector for getting the customer satisfaction. Finally; they have concluded that, if a firm is to be successful, it must understand what customers expect from sales personnel in their market, and make sure that their employees meet or, better yet, exceed those expectations.

Goyal B.B. & Aggarwal Meghna (2009), Ghosh Piyali, Tripathi Vibhuti & Kumar Anil (2010) Ha Hong-Youl and Muthaly Siva (2008), Joseph J., KR Cronin, Brady K. JR Michael & Hult M. G. Tomas (2000) and many more researchers have done work on sales promotion mix, shopping malls and customer satisfaction. With the help of these researches we have found some factors of sales promotion mix, which we have used in our research to find out the effects of sales promotion mix on customer satisfaction in Indore city.

Objectives of the Study

- To examine the combined effect of sales promotion schemes on customer satisfaction with reference to shopping malls in FMCG sector.
- To assess the effects of sales promotion schemes on customer satisfaction with reference to various demographic variables.

Research Methodology

The study comprised of different shopping malls of all six areas. Six districts of Madhya Pradesh were taken for the study purpose. These were, Indore, Dewas, Ujjain, Jabalpur, Gwalior and Bhopal. Different customers of various shopping malls have been taken as a field. The period of the study was from Aug to December, 2012

Definition of Variables

After an extensive study of sales literature following sales promotion factors are considered for this study: Buy one Get One Offers, Discounts/ Cash Discount, Free Gifts, Sampling, Bonus/ Extra, Refunds/ Cash Back, Coupons, Exchange offers, Stock Clearing Sale, Lucky Draw, Scratch Cards, Anniversary Schemes/ Festival Schemes, Annual Rating Points on Permanent Cards, Contests, Catalogue, Product Warranties, Weekly/Monthly offers and Spots /Movements offers. Apart from these 18 factors, five categorical variables are also used to know the effects of all 18 sales promotion factors on the customer satisfaction. The five Categories have selected for the study are as –Age, Sex, Education, Occupation and Income

Hypothesis

To know the effects of eighteen sales promotional factors on customer satisfaction, the following null and alternative hypothesis have framed:

- **H0:** There is no significant impact or difference in mean satisfaction level of customers because of various sales promotional factors according to various demographic variables.
- **H1:** There is significant impact or difference in mean satisfaction level of customers because of various sales promotional factors according to various demographic variables.

Sample and Design

The design of the present study is descriptive as well as empirical in nature. The main purpose of the study is to find the impact of sales promotion mix on customer satisfaction in shopping malls in Indore city. The sample size is 175 customers. The sample comprised of the respondent above 20 years age & having experienced of shopping from shopping malls and also sales promotion mix. The independent variables comprises of education, age, sex, occupation, income and location. The primary data are collected from 175 customers of different shopping malls, spreading across Indore city and having above 20 yrs age and already have purchased FMCG products from any shopping malls with experienced of any type of sales promotion factors. The entire universal has been divided as:

- Age: The age group were 20-30, 30-40, 40-50 & 50 and above. This was kept so as to cover maximum percentage of universe, grouping in class interval helped in easy tabulation.
- Education: It contained to choices –UG, PG & Others.
- Occupation: It contained the choices of – Service, Business, Student and House wife.
- Sex: It contained the choices of- Male & Female.
- Income: It contained the choices of- 1-2 Lacks, 2-3 Lacks, 3-4 Lacks and 4 Lacks and above.

Data Collection

The questionnaire is split into three sections. First section deals the demographic factors, Second section related to 18 sales promotion factors. The questionnaire had given five point scales rating Highly Dissatisfied to Highly Satisfied and comparative weights one to five, where five is the highest rank. The data collected from customer of different shopping malls later classified on the basis of age, education, sex, income, Location and occupation.

Tools for Analysis

In the application of statistical tool, cares has been taken and draw a real picture without any manipulation. Factor analysis and ANOVA test applied to minimize the factors to find their effectiveness & variances. The statistical package like SPSS (version 17) used, MS – Excel also used for analysis. The levels of significance were tested of five percent level.

Factor Analysis

The normal varimax solution is not obtained directly from a correlation matrix. It is obtained by rotating other types of factor solutions to the varimax form. In the present study it was considered desirable to use the highest factor loading criterion to select customer satisfaction included in sales promotion mix and all group of factors. This criterion was uniformly used in the factor analyses carried out on the total sample of the study.

ANOVA Test

The generated factors which have got with factor analysis by using SPSS software (17.1) version, with the help of these factors we have applied ANOVA test by using SPSS software(17.1) to measure the variance among different variables. Tukey Karner multiple comparison has been used to get the mean difference and analyzing the results. It has been applied on 5% level of significance, to test the variance between different demographic variables on sales promotion mix and over all customer satisfaction in shopping malls.

Table 1: ANOVA Test Formula

Source variation	Sum of Squares	Degree of Freedom	Mean Squares	Computed F value	Table F value
Between samples	SSB	c-1	MSB= SSB/c-1	F=MSB/ MSW	
Within samples	SSW	n-c	MSW= SSW/n-c		
Total		n-1			

Table 2: **ANOVA test measurement with computed value to table value**

Case	Interpretation
a) If the computed value of P is less than	The difference in the variance is significant and it could not have arisen due to fluctuations of random sampling and hence reject H0
b)If the computed value of P is greater than	The difference in the variance is not significant and it could not have arisen due to fluctuations of random sampling and hence accept H0

Limitations

There are several limitations that warrant future research. The study has been conducted in Indore city of Madhya Pradesh, India. The result of the same, if conducted in other part of the country may vary. It is because a country like India has geographically, economically, socially and culturally very different in terms of areas. This difference is too significant to be ignored. Good and bad mood of customers or respondents that was experienced during study that would have influenced their responses. Normally all customers were seemed in hurry because of their busy schedule so questionnaire also would have influenced their response.

Results are based on calculation and this calculation was based on data those I have collected, because of different mood and circumstance of the respondents have also influenced the result in calculative way; but, some results which I had felt during collection of data that customers are attracted to the sales promotion mix and shopping malls, whether they are purchasing the products or not because of many reasons like- budget or family pressure etc., those results; I am unable to calculate and define in numerical terms. City atmosphere have also influenced the respondent's response; because of restricted social atmosphere respondents were felt uncomfortable to contact with unknown person and give the response of any type of questionnaire; so that this reason have also influenced the results. The sample consisted of 175 active mall shoppers. The small sample size is also error-prone.

Data Analysis and Result Discussion

Factor analysis was adopted to capture the sales promotion mix on customer satisfaction in shopping malls. Table 2 summaries the results of the factor analysis which was run using the Principal Component Approach with a varimax rotation.

Bartlett's test of sphericity and Kaiser-Olkin (KMO) meaure are adopted to determine the appropriateness of data set for factor analysis. High value (between0.5 to 1) of KMO indicates that the factor analysis is appropriate, low value below the 0.5 implies that factor analysis may not be appropriate. In this study, the result of Barteltt's test of sphericity (0.00) and KMO (0.863) indicates that the data are appropriate for factor analysis.

Table-3 Demographic profile of the sample

	Variables	Frequency	%
Sex	Male	104	59.4
	Female	71	40.6
Age	20-30 Yrs	87	49.7
	30-40 yrs	53	30.3
	40-50 yrs	29	16.6
	Above 50 yrs	6	3.4
Education	UG	53	30.3
	PG	109	62.3
	Others	13	7.4
Occupation	Service	81	46.3
	Business	44	25.1
	Student	32	18.3
	Housewife	18	10.3
Income	Student	49	24.1
	1-2 Lack P.A.	45	22.2
	2-3 Lacs P.A.	35	17.2
	3-4 Lacs P.A.	22	10.8
	Above 4 Lacs	24	11.8

In the present study total 175 respondents participated in the survey. Selected demographic characteristics of the sample including age, sex, income occupation and education presented in table no. 3. The sample consists of 59.4% of male and 40.6% of female respondents. Respondents were mostly between the age of 20-40 years (71.0%), 62.3% of the respondents were PG, almost 91.2% of the respondents had at least under graduate degree., 46.3 % respondents were related to service class families, near 51% respondents reported that their family income was more than 2 Lacks P.A. f

Table 4 Result of Factor Analysis

Factors Label and Items	Rotated Factor Loadings	Reliability Coefficient (Cronbach Alpha)
Factor 1: Lucky and Bumper offers		
Contests	.666	.804
Scratch Card	.780	
Lucky Draw	.680	
Annual Rating point on permanent card	.705	
Anniversary/Festival Schemes	.665	
Factor 2: Frequent and Warranty Offers		
Weekly/Monthly offers	.858	.769
Spot/ Movement Offers	.747	
Product Warranties	.636	
Factor 3 : Monetary and Quantity Benefit Offers		
Refunds/Cash Back	.821	.811
Bonus/Extra	.708	
Free Gift	.574	
Sampling	.550	
Factor 4: Gift and Exchange offers		
Buy one Get one free	.606	.863
Stock clearing Sale	.820	
Exchange offers	.590	
Factor 5: Discount Offers		
Discount /Cash Discount	.690	

Note: All the five factors together accounted for 70.2% per cent of the total variance, Barteltt's test of sphericity = 0.00, Kaiser - Meyer - Olkin KMO= 0.863

In this study, factor analysis was carried out in two stages. In stage one; known as the factor extraction process, objective was to identify how many factors to be extracted from the data. Using principal component analysis, 18 items were extracted by five factors. Only the factors having latent roots or eigen value greater than 1 were considered significant; all factors having eigen value less than 1 were considered insignificant and were discarded. All the five factors together accounted 70.2% of the total variance. In the second stage, all the factors were interpreted and labeled. Items having factor loading more than 0.5 were included in the interpretation. More detailed descriptions of the factors are presented in the next section.

DEMOGRAPHIC FACTORS ON CUSTOMER SATISFACTION

The study has extracted five sales promotion mix with the help of factor analysis and ANOVA was used to study the variation in the sales promotion mix on customer satisfaction across demographic variables. The five factors are summarized here.

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Table 5 **Customer Satisfaction With Respect to Sales Promotion Mix**

Factors	Age		Sex		Education		Occupation		income	
	F	Sig	F	Sig	F	Sig	F	Sig	F	Sig
1 Lucky and Bumper offers	.819	.485	.088	.767	2.480	.087	5.843	.001*	5.670	.000*
2. Frequent and Warranty Offers	1.476	.223	.513	.475	1.778	.172	3.504	.017*	3.154	.016*
3. Monetary and Quantity Benefit Offers	.526	.665	.010	.920	1.713	.183	3.941	.009*	3.747	.006*
4. Gift and Exchange offers	.284	.837	1.456	.229	5.514	.005*	1.860	.138	2.754	.030*
5. Discount Offers	1.480	.222	9.553	.002*	5.498	.005*	4.326	.006*	3.516	.009*

Factor 1: Lucky and Bumper offers

The factor measures the luck based schemes and festival offers from different sales promotion mix on customer satisfaction of Indore city's customers in our sample. Customers who score high on this factor are very luck conscious. They are very conscious to try their luck and get best benefits for the products they buy. They always check and compare the lucky and bumper offers before purchasing the products in the shopping malls. They even go to more than one store to get best bumper offer for the product they buy. Table 4 indicates that, the highest loading (0.780) item in this factor is "Scratch Card".

Table 5 revealed that the significance values of F for sex, age, education are greater then 0.05. So they do not have significant impact on lucky and bumper offers. Only occupation and income have impact on lucky and bumper offers. In our sample, in Indore city students (mean=16.3) are more conscious in lucky offers than service, business class and housewives. Students (mean=16.2) those who are depended on their parents, have used luck by chance offers more than, any other working customers of any income group in Indore city.

Factor 2: Frequent and Warranty Offers

This Factor reflects the frequent offers dimensions of customer satisfaction with respect to sales promotion mix of Indore city in our sample. Indore customers consider spot movement offers and warranties of the product while purchasing the products in shopping malls. It is very important for them to take best. Customers who score high on this factor perceive the new offers every week and they are willing to make special efforts to choose products with the very best weekly offers. Table 4 indicates that the highest loading (0.858) item in this factor is "Weekly/Monthly Offers"

Table 5 indicates the effects of various demographic variables on customer satisfaction according to Indore city. This indicates that the significant value of F for age sex and education are greater than 0.05. So, Indore city's customers do not have significant impact on frequent and warranty offers with respect to these demographic variables. Occupation and income have impact on frequent and warranty offers in Indore city. In our sample in Indore city students (mean = 11.4) are more conscious in frequent offers than housewives, service and business class customers, who comparatively less use this type of offers. Students (mean = 11.2) those, who are depended on their parents have used frequent and warranty offers more than upper middle class customer 3-4 lacks P.A.(mean = 10.5) and the customers, of other income group are less conscious about these type of offers in Indore city.

Factor 3: Monetary and Quantity Benefit Offers

This factor measures the monetary and quantity benefit offers which gives customer satisfaction to Indore's customers in our sample. Customers who score high on this factor are conscious of quantity and cash and do not want to take risk, they just want something extra or refund facility for getting satisfaction. They always appreciate and use such type of offers which give extra or cash back facility. Even for getting this type of customer satisfaction they go to more than one store, to get better cash back or monetary or quantity offers. Table 4 indicates that; the highest loading (.821) item in this factor is "Refunds/Cash Back".

Table 5 indicates the effects of various demographic variables on customer satisfaction in accordance to Indore city. This indicates that the significance value of F for age sex, education and occupation are greater than 0.05. So, Indore city's customers do not have significant impact on monetary and quantity benefit offers with respect to these demographic variables. Only income has impact on monetary and quantity benefit offers in Indore city. In our sample in Indore city students (mean=7.6), those who are depended on their parents are more conscious to take monetary or quantity benefits in shopping malls than any other income group.

Factor 4: Gift and Exchange offers

This factor measures the Gift and Exchange offers, which gives customer satisfaction to Indore's customers in our sample. Customers who score high on this factor are very conscious of gift and exchange offers and they can even change their brands or shopping malls for getting gift or exchange offers, they just want gifts or exchange on same product for getting satisfaction. They always appreciate and use such types of offers which give gifts. Even for getting this type of customer satisfaction they go to more than one store, to get better gifts and exchange offers. Table 4 indicates that; the highest loading (.820) item in this factor is "Stock Clearing Sale".

Table 5 indicates the effects of various demographic variables on customer satisfaction according to Indore city. This indicates that the significant value of F for age, sex and occupation are greater than 0.05. So, Indore city's customers do not have significant impact on Gift and exchange offers with PG (mean =11.8) and customers those who are depended on their parents i.e. students (mean =11.6) are more conscious or want these types of offers than to any other education and income group for getting satisfaction in shopping malls in Indore city.

Factor 5: Discount Offers

The customer satisfaction with respect to sales promotion mix identified by this factor is that Indore's customers always driven by discount product. Table 4 indicates that; the highest loading (0.606) item in this factor is "Discount offers". Table 5 revealed that the significance values of F for only age is greater than 0.05. So they do not have significant impact on discount offers. Sex, education, occupation and income have significant impact on discount offers, in which female customers those are UG and students and dependent to their parents have more effect on customer satisfaction by discount offers in Indore city.

Conclusion

The objectives of this study were to investigate the customer satisfaction with respect to sales promotion mix in shopping malls and to study variations in the customer satisfaction with respect to sales promotion mix across different demographic variables. Following the study of Anselmsson Johan (2006), Bromley Rosemary D. F. & Matthews David L (2007), Goff C. Brent, Boles S. James, Bellenger N. Danny & Stojack Carrie (1997), Sproles and kendall (1986), an attempt was made to profile the customer satisfaction in shopping malls. They all have identified many factors related to sales promotion mix; from which we have selected 18 factors of sales promotion mix and tried to measure the customer satisfaction in shopping malls. With the help of factor analysis we have found five new factors are lucky and bumper, frequent and warranty monetary and quantity benefit, gift and exchange, and finally discount offers. In addition, this study shows that the average customer of Indore city in our sample was not very sale promotion conscious, but students are quite conscious about any type of sales promotion mix factors. It is found that; students, those are dependent to their parents and whose age is between 20-30yrs, UG students are more conscious about sales promotion in shopping malls for getting customer satisfaction. Shopping is funny activity for them. Young customers are most recreational in their shopping.

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MANAGEMENT OF CONFLICT IN PHARMA CHANNEL SALES: A CRITICAL ANALYSIS ON BRANDED PHARMA PRODUCTS

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ABSTRACT

India is the 2nd largest producer of pharma products in the world where many of the world players have made their presence. Larger part of the business is trade oriented which makes the role of channel partners very important. Supremacy and politics is a kind of magnet between company and channels in channel sales. It could work either way depending upon the handling and relative positioning. Ideally it should help in aligning partner's interest in the channel with the overall vision of the organization. In monopolistic kind of products the relative supremacy of the channel partners remain subdued but in competitive products supremacy shifts towards channel partners. In this paper the study is done on trade sales in pharma products business in North India which is reasonably competitive in present scenario with a presence of number of small, large and even multinational players. The paper discusses about the existence of supremacy and political factors of channel partner in the Pharma products trade and probable solutions of countering its negative impact on companies.

Keywords: Supremacy, Politics, Pharma products, Channel, Trade

INTRODUCTION

vSupremacy is the ability to get partner's to do things they wouldn't do naturally (Fedor&Bettenhausen, 2008). Collaboration and cooperation between partners vis a vis company policies is important, especially in global trade where geography, demography, different cultures and languages adds to the diversity (Porter & Mayes, 1979). Politics can be described as the use of supremacy to influence the environment to better achieve personal and commercial goals (Coopey& Burgoyne, 2000). The selection or use of supremacy types like personal, legitimate, expert, reward or coercive depends on the situation, relative stakes and the environment (Brass &Burkhardt, 1993). A political pyramid exists when people compete for supremacy. The individual will not get supremacy as he wishes but have to enter into the decisions on how to distribute authority in a supply chain. There is scarcity of supremacy when individuals gain supremacy in absolute terms at others expense and also when there is relative shift in the distribution of supremacy (Zaleznik, 1971). In this study a survey of over 100 pharma channel partners and working executives were interviewed across 15 locations including rural, semi urban, urban and metro cities and analysis revealed that dealer development and management is very crucial for pharma products manufacturers. The study shows the differential behaviors and business pattern of channel partners in different areas namely rural, semi urban, urban and metro cities (Cropanzano & Grandey, 1997). In metro cities an increase in direct sales by pharma products producers is posing a lot of challenge to trade channel partners in recent times. This is despite of the fact that pharma products production recorded continuous growth in last few years. "Sub- dealers, who are serviced by front line dealers, are disappointed and not satisfied because they are of opinion that the pharma products companies do not recognize & appreciate their role in the structure of the channel sales. Another matter of concern for retailers is that front line dealers do-not pass the appropriate benefits deserved by them. At the same time the concern of Dealers is the conversion of quality retailers into Dealership of their own company or the competitor resulting into their direct loss of volumes and profits. This clearly indicates that this segment has a huge growth prospects in the years to come. It will challenge the role & position enjoyed by the channel resulting in reduced margin and aggressive competition.

Analysis of Supremacy and Politics

In channel sales the role of the channel partners is very important. There are different layers of channels in different businesses and in pharma products industry normally trade vertical has two to three layers. The top most layers exist in many companies which is generally the most important and supreme. In few companies the role played by this layer is handled by the company itself. If it is the external agency in this layer, it is called by different names like sales promoters/ CFA/ Marketing organizers, etc. Their role is defined clearly by all companies but still they are much more supreme than their position. The second layer which is also first layer in some companies is called as stockiest/dealer. They remain in direct touch with the company and directly do the business with the respective company. There is another layer of channel partners normally known as retailers. They do the transactions with the respective dealer/stockiest and are indirectly associated with the company. Role of a dealer/stockiest is to buy the product from the company and sell it to the retailers and/or to the customers. Dealers are managed by the company officials and/or by the upper layer

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depending upon the system being followed by the respective company. Different dealers have different sizes of business and enjoy different supremacy.

Findings for Channel Sales

In today's competitive environment there is a lot of volume selling pressure and companies, employees as well as dealers are under stretched target pressure (Cropanzano& Li, 2006). In managing those business requirement there are various factors. The factors which impact the supremacy of dealers are-

1. Size of business of the dealer – It means the business turnover of channel partner with the company.

2. Association with the company (Longevity) – It represents the number of years of business association of the dealer with the company.

3. Stakes of the company in that respective market – It represents as how important that particular market is for the company. Is it primary, secondary or tertiary market?

4. Total market size in which respective dealer operates and the respective market share – It represents the total market potential vis a vis the market share of that particular dealer.

5. Competitor's position in respective market – It represents company's position as compared to competitor's position in that market.

6. Strength of secondary network of the dealer – It represents the dealer's own network of sub dealers/retailers.

7. Investment capacity of the dealer in the market – It represents the financial soundness and investment capacity of the dealer.

8. Strength of customer bases of the dealer – It represents the market presence and regular customer base of the dealer with good footfall.

9. Approach and appetite of the dealer for growth – It is about the attitude of the dealer with respect to present and future business.

10. Pharma products business has a limited piece of total business pie – It means the cases where the dealer's total business size is too big as compared to our business. In other word the dealer has other businesses which are much larger than our business.

11. Individual/Firm goodwill – The goodwill of dealer and its firm is too good which enhances the image of the company as well.

12. TINA or limited alternative – This represents the situation where the company has no alternative.

13. Strong infrastructure – This represents the situation where the dealer has a good infrastructure to support the business.

14. Availability of other options/opportunities – This represents the situation where dealer has other better options available.

Apart from this there are some other factors by virtue of which a dealer becomes more supreme. These are the political factors which enhance the supremacy of channel partners.

1. Relationship with senior management of the company – This represent the situation where dealer has good rapport with the senior management of the company.

2. Networking with other dealers and capacity to influence them – This represents the leadership style of the dealer where he has the capacity to influence other dealers to support his thoughts.

3. Proximity to the people in dominance – It means where dealer has connection with those people who are in supreme.

4. Position or supremacy to influence the people in position at local bodies – This represents the position where dealer may influence the business with the help of local bodies.

5. High nuisance value – This represents those dealers who have big nuisance value and have the capacity to escalate small issues and even non issues.

6. Capability to exploit weakness of systems/individuals – This represents those dealers who have expertise in taking advantage of weakness of individual officers or sometimes systems.

7. Limited authority of dealing officials – It means when dealing officials have small authorities in taking decisions, respective dealers, at times take advantage of this.

8. Strong/Influential personality – It means some dealers have a strong persona and they take advantage of this.

Further, there are various reasons to exercise supremacy and use of politics by dealers and the most common are:

1. To get extra benefit in the business.

2. To satisfy their ego.

3. To exhibit the supremacy.

4. To pressurize respective officers and company to keep them on back foot.

5. To hide his weakness.

6. To improve bargaining supremacy.

7. To draw attention and priority.

8. To extract better services.

Though there is no readymade solution with organizations for countering these supremacy and politics issues of channel partners, as each dealer has different combination of these factors and so need to be handled separately but there are certain ways by which several factors may lose its negative impact. These are:

1. Strong and transparent system with minimum deviation- If the company is system oriented and does not deviate from this in routine, individual dealers would not try to take chance.
2. Importance of front line executives – Companies should portray its front line executives as the face of the company and show good respect for them.

3. Less interference of seniors on day to day business – Day to day business should be dealt by the front line executives only and there should not be any interference of the senior management.

4. Seniors to build strong brand equity of the product – Seniors should spend more time and energy in uplifting the brand equity of the products and company. This will improve the importance of the product and company. The dealer would always have a fear of losing that brand if he does not work as per company policy.

5. Effective value system of the company – Strong value based companies have very little impact of supremacy and politics of dealers.

6. Strong two way communication with in organizational hierarchy – Effective communication between front line executives and seniors would reduce the impact of supremacy and politics of dealers.

7. Periodical training and development of employees as well as dealers – Value addition would make them more focused about their business and so the role of supremacy and politics would be diluted.

8. Relatively better retained margins to the dealers – If the retained margin in the business remains good, the focus of the dealer would always be more towards business and he would have fear in doing politics.

9. Information flow must maintain hierarchy – All the decisions and information should follow the hierarchy. This will keep frontline executive as well as seniors always updated and there will not be the scope of communication gap.

10. Complaints should be handled on merit basis and not on as who lodged it – There needs to be proper analysis of problems and solution should come on the basis of merits.
11. Conducive work environment – There needs to be conducive work environment both for the dealers as well as company officials. This will utilize the energy in a productive way.

12. Good back end support to front line executives – Since front line executives are face of the company, they must get good back end support not only from marketing department but also from other support functions like accounts, MIS, logistics etc.

13. Strong supply chain management – The role of supply chain is very important as the market is highly demanding w.r.to services. The expectation level is increasing day by day and if the company has the supply chain system efficient and effective, it will be a big support to have a command in the market.

14. Maintaining desired and designed service standards – Each business desire certain service standard and if they are maintained, it reduces the irritants of the market.
15. Delivery of agreed quality and proper handling of complaints – Quality of product and timely complaint handling adds on to the brand equity.

16. Visible growth opportunities both for employees and channel – When dealers as well as company employee see the growth opportunity in the business, both remain focused and reduce the chance of deviation towards other things.
17. Timely decision making – It is very important to make timely decisions. At times even saying no timely is better than saying yes after a long time.

18. Clarity in business policy – When there is clarity and transparency in business policy; it reduces the unexpected expectation level.

Discussion

This study attempted to examine the influence of Supremacy and Politics on channel sales. Harrel- Cook and Dulebohn (2000) found that supremacy and politics in the channel sales are very important in any competitive business and the pharma products trade falls in the similar category. The main finding of the research is that for an effective trade business it is very important to create an environment where politics does not harm the business. The findings strongly support the work of Baum (1989) that systems and policies should be strong enough with clarity to all so to avoid the impact of undue supremacy and politics. Butcher and Clarke (2001, 2008) found that role of effective communication and timely decisions are very important to counter the impact of this into the trade. Breaux and Ferris (2009) reported that while creating the network utmost care is required to assess the mutual requirements and expectations. Davidson and Perrewe (2005) pointed that long term as well as short term goals must be kept in mind while dealing with channels. Emerson (1962) asserts that periodic development and training is an essential component. Role of senior management is very crucial and the real delegation and emsupremacyment of front line executives and different layers in hierarchy would help in reducing the political impact on the business. Nobody should be allowed to take the undue advantage of the position and situation and clarity and transparency must be maintained at all levels. Information flow should also follow the systematic route and without bypassing any relevant link. Decision making process needs to be speedy and in line with the business policy.

Focus should always be there on quality of product at reasonable cost with timely delivery with all applicable services. If these components are better than the competition, negative impact of politics would be minimal. Also if the channel earn reasonable margin in the product and company takes care of the smooth pull among the customers, politics cannot easily impact the business.

Research work of Russ and Fandt (1989) further contributed in understanding that in those businesses where product is monopolistic in nature or the competition is not intense different approach may take place or alternatively the supremacy of channels would be too low. Mayes and Allen (1977) quoted however in competitive products all aspects need to be taken care off. Gandz and Murray (1980) included all the aspects and factors of the study may be studied further individually and deeper study may be done to analyze as why such behavior is visible or what all factors contributes to a particular behavior. This research leaves scope of research where the similar study may be done in different zones. Also a comparison may also be done between different geographies with in the country or with global scenario.

Conclusion

Supremacy and politics play important role in both the success and failure of organizations. It is important to judge the right equilibrium for supremacy and politics to make it functional. The weak links in channel partners occur because of these imbalances. The right approach for having smoother trade systems would be having positivism in roles of supremacy and politics among channel partners. As the strength and success of such businesses depends on the quality network, it is very important for the organizations to take care of mutual interests. It must have a close watch on routine developments and must take timely actions and decisions, including expansion, before the supremacy of channel partners go beyond their control. Also organizations should discourage the growth of politics and suppress it for the larger interest of all.

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KEY PERFORMANCE INDICATORS IN HOSPITALITY INDUSTRY

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ABSTRACT

In the emergence of the information and competitive era, manufacturing and services organizations are required to acquire new capabilities for competitive success. Hotel organization in transition economies must create effective competitive methods for survival, since they exist in an environment where both customer and investor are demanding more from every organization. In search of solution they should focus on reliable and critical performance indicators, absolutely important for the success of the hotels and adopt a comprehensive and balanced performance measurement framework that meets the requirements of a dynamic environment. The aim of this work is to identify the key performance indicators in hospitality industry of Uttarakhand and to find out the influence of managerial characteristics on the choice of performance indicators. Data was collected from a sample of 143 hospitality managers working with classified and unclassified hotels of Dehradun and Mussoorie using questionnaire and semi-structured interviews over a six weeks period. Results indicate that financial performance measures are still prevalent and more preferred key performance indicators in the elite managerial segment of almost all the hospitality organization. The study suggests that hospitality managers need to rethink about the choice of their performance indicators.

Key Words: Hospitality Industry, Key Performance Indicators.

INTRODUCTION

The tourism industry is one of the world's fastest growing industries with growth in global travel expanding from 450 million travelers in 1992 to 730 million by the year 2010 (WTO,2006). Because of rapid economic prosperity and continued improvement in living standard, tourism in India has become an important industry. As per statistics updated by the Indian Ministry of Tourism, the foreign Tourist Arrivals (FTAs) in India for 2010 has been 5.78 million, which is 11.8 % increase over 5.17 million tourists of 2009. As per the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum, India is ranked 12th in the region and 68th overall in its Travel and Tourism Competitiveness Index. India is well assessed for its natural resources (ranked 8th) and cultural resources (ranked 24th) with many World heritage sites, both natural and cultural, rich fauna, many fairs and exhibitions and strong creative industries. India also has good air transport (ranked 39th), particularly given the country's stage of development and reasonable ground transport infrastructure (ranked 43rd). As Tourism serves as the main market for hotel services, increase in visitors traffic over the past ten years resulted in a corresponding boom in the hotel Industry. The hotel industry is the combination of institutions, supporting human resources, financing mechanisms, information systems and organizational structures that link institutions and resources that cater to the needs of domestics and foreign travelers. These hotels operate in a highly competitive environment as a consequence of a number of factors namely, emergence of new tourism destinations, rise in customers expectations, increase in hotel capacity, worldwide recession and sharp rise in operational costs thus declining profitability for hotels. These trends require hotels in India to be more efficient and competitive in meeting the needs of their customers. The ability of Indian hotel operators to adequately respond to these challenges will determine their long-term success.

Uttarakhand: Tourism and Hospitality Industry

Uttarakhand is part of the central Himalayas and most of the northern area comprises of high ranges and glaciers and the lower reaches are covered by dense forests. Nature, Adventure, Wildlife, Culture, Heritage, Pilgrimage, Yoga and Meditation, a cocktail of opportunities for unlimited experience, are the strengths of this Himalayan State. Therefore, tourism is viewed as one of the key sectors of economic growth and development in the State, both from the point of view income and employment generation as well as a source of revenue for the State. The challenges are the augmentation of infrastructure facilities with particular focus on improving air, rail and road connectivity, improving hotels and accommodation facilities, development of new tourist destinations, enhanced private sector participation, an aggressive and well planned publicity and marketing strategy, a more action oriented tourism administration and management, all-year round tourism and the more active participation of local host communities.

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Table 1: Tourist Arrivals in Uttarakhand (2006-2010)

Year	Tourist Arrivals		Rank	
	Domestic	Foreign	Domestic	Foreign
2006	16666525	85284	7	15
2007	19803280	95975	6	15
2008	20546323	99910	7	15
2009	21934567	106470	8	15
2010	30206030	127258	7	16

Source: Indian Tourism Statistics, Ministry of Tourism, 2006-2010.

The number of foreigner and domestic tourist arrival in Uttarakhand shows the potential of tourism and hospitality Industry in Uttarakhand (Table 1). Despite the growth, the hotel industry is facing numerous new challenges which affect the performance of hospitality organizations of Uttarakhand. These challenges related to hotel management such as managerial attitude, average infrastructure and interior, unskilled employees, non-availability of customized services, lack of innovation in offerings, services and processes etc. These factors may contribute to their poor performance in terms of low level of service quality, low level of customer satisfaction and moderate level of average occupancy rates. These challenges compel hospitality managers to rethink about current performance measurement practices.

Choosing performance measures is a challenging and dynamic process - measures may be appropriate today, but the system needs to be continually re-assessed as strategies and competitive environments evolve. The management is responsible for making a strategic decision on adoption and use of various performance measures. Hence, this study is trying to examine the link between service operation practices, managerial characteristics and hotel performance measurement system. By examining this link, the key performance indicators and managerial attitude towards effective and efficient organization performance would be identified so that improvement in hotel performance could be achieved.

Objectives of the study

The paper sets out to outline the key performance indicators (KPIs) in hospitality industry in Uttarakhand. Specifically, the objectives of this study are:

• To identify the key performance indicators for hospitality industry, used by managers for performance measurement.

• To find out the influence of managerial characteristics such as educational qualification and present position on choice of key performance indicator.

Hypothesis:

H1 = Usage of performance measurement dimensions does not differ significantly across the education level of hospitality managers.

H2 = Performance measurement dimensions practiced by hospitality managers in different hotel category does not differ significantly.

Literature Review

Performance Measurement is a process of assessing progress towards achieving pre-determined goals, including information on the efficiency by which resources are transformed into goods and services, the quality of those outputs and outcomes, and the effectiveness of organizational operations in terms of their specific contributions to organizational objectives (Amaratunga & Baldry 2003). Measuring performance plays an important role in planning and decision-making and makes the link between strategy intent, competitive environment, revenue generation, service delivery process, and strategic evaluation (Fitzgerals et al, 1991; Kaplan and Norton, 1992; Doran et al., 2002; Folen & Brown, 2005; Haktinir & Harris, 2005). Moreover, Performance measurement has become increasing important due to the changing nature of work, increasing competition, specific improvement initiatives, national and international Quality awards, changing organizational roles, the power of technology and changing external demand (Neely, 1999). Therefore, organizations need to set clear goals and objectives, develop criteria for measurement and measure performance, evaluate that performance and compare the performance against the goals and objectives of the organization.

Financial Performance Indicators

Despite the development of performance measurement systems in the hospitality industry, various researchers (Brander-Brown and McDonnell, 1995; Brotherton and Shaw, 1996; Atkinson and Brander-Brown, 2001; Harris and Mongiello, 2001; Beatham et al. 2004; Wadongo, 2010) have pointed to the reluctance of the hospitality industry to use balanced measures and rely solely on financial measures. Recent studies have shown that hotels place a greater emphasis on financial performance than on any other performance dimension and they are reluctant to use additional tools to monitor performance and manage the process (Atkinson & Brander-Brown, 2000; Haktanir & Harris, 2005). Atkinson and Brander-Brown (2001) study indicates that the majority of the hotels almost exclusively monitor financial dimensions of performance with little or no attention being paid to non-financial or determinant dimensions. The study of Brander-Brown and McDonnell (1995) suggests that the hotel industry appears to concentrate on financial measures. The work of Harris and Mongiello (2001) suggests that financial measures are prominent, but not dominant, in a hotel general managers' decision making.

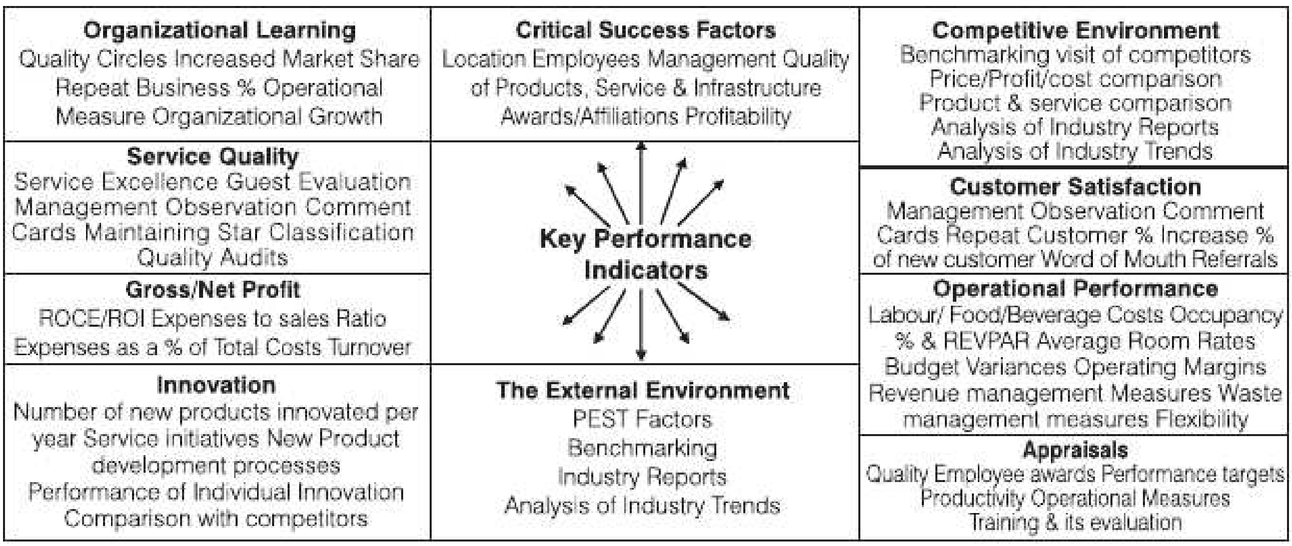
Financial measures and accounting practices, the traditional means of performance measurement, are excessively profit based (Brander Brown and McDonnell, 1995), short-term (Denton and White, 2000), unbalanced (Harris and Mongiello, 2001), unsatisfactory for businesses seeking a competitive advantage (Evans, 2005; Phillips, 1999), past oriented (Atkinson and Brander Brown, 2001), little market oriented (Phillips and Louvieris, 2005) and non-holistic (Phillips, 1999) and therefore, over reliance on them is no longer relevant for today's managers.

Non-financial Performance Indicators

Although, financial performance measurement is important, the use of a more comprehensive set of indicators may offer greater opportunities for measuring the strategy and organizational effectiveness in the longer terms. Therefore, to remain competitive, organizations now need to consider non-financial or operational results. Several research findings (Harris and Mongiello, 2001; Atkinson and Brander-Brown, 2001) in performance management are advocating an emphasis on both financial and non-financial dimensions such as competitiveness, service quality, customer satisfaction, organizational flexibility, resource utilization, and technology. It is important for performance measures to direct attention to such non-financial factors as service quality and customer satisfaction (Fitzgerald et al., 1991). Moreover, there has been an increasing recognition within the hotel industry of the importance and value of people; employees as well as guests in the service delivery process, which has led to suggestions that hotels need to develop better performance information relating to such key areas as employee morale and employee satisfaction (Fitzgerald et al., 1991). Chan (2004) reported on the use of non-financial measures in the balanced scorecard as a performance management system to support reporting on various management activities.Wadongo, et al. (2010) identifies the financial and non-financial key performance indicators of hotels such as total revenue achieved, food and beverage sales, total operating costs, total sales, customer satisfaction surveys, relative market share, room occupancy, and delivery speed flexibility. Huang et al, (2007) study reveals that non-financial performance measures (i.e., the learning and growth perspective, internal process perspective, and customer perspective) not only directly influence the financial performance measures, but also indirectly affect performance through the cause-and-effect relationships among different perspectives. The study of Evans (2005) concludes many hoteliers were using both financial and non-financial measures to measure the performance of their hotels in northern England. While investigating the application of balanced scorecard in White Lodging Services, Denton and White (2000) justifies the relevance of both financial and non-financial measures for balanced performance of hotel.

Key Performance Indicators (KPIs) for Hospitality Industry

Key Performance Indicators (KPIs) are the selected indicator considered key for monitoring the qualitative or quantitative performance of strategic objectives, outcomes, or key result area absolutely critical and important to the success and growth of the organization. Hotel KPIs make objectives quantifiable, providing visibility into the performance of individuals, teams, departments and organizations. The purpose of Hotel key performance indicators is to provide to decision makers in the organization measurable indicators for measuring or judging the organizational performance and for measuring the achievements of organizational objectives. For the study, critical and measurable KPIs for hotel performance measurement are identified through reviewing research papers published in management Journals. The research of Atkinson and Brander-Brown (2001), Phillips and Louvieris (2005) and Bergin-Seers and Jago (2006) have shown that dimensions of employees, customers and finance were the key performance indicators to performance measurement in small and medium-sized hotels in the United States. The work of Neely et al., (2005) and Robinson (2003) highlighted the competitive environment dimension, quality of service and the external environment as others main KPIs for hotels. As hotels become experienced in managing and measuring performance, there is a need to expand the dimensions being measured. Therefore, additional performance dimensions of organizational learning, innovation and creativity are included, based primarily on the research of Lynch and Cross (1990); Kaplan and Norton (1992, 2001); Brown (1996); Neely et al., (2002); Folen & Browne (2005) and Folen et al., (2005, 2006) who suggest that these performance dimensions are important to any organization regardless of their operating context and industry sector.



These Key performance indicators (KPIs) can help hospitality managers in their efforts to ensure efficient and effective management of resources and to achieve the main objective of any organization – profit maximization through stakeholders' satisfaction. The development and use of the KPIs should form the basis for the analysis of an organization's current performance, its future requirements and the improving strategies required for ongoing success. Everyone within the organization must have an idea about these KPIs in terms of their roles and reasons why they are being used. As KPIs are uniform for all organizations, they assure managers a tool for benchmarking with other in order to improve their own performance.

By reviewing the existing literature on performance measurement in hospitality industry, researchers have identified key performance indicators in six major performance dimensions for the study. These dimensions are Financial Performance, Competitiveness, Employees Performance, Operational Efficiency, Innovativeness and Service Quality.

Research Methodology

The researchers used a cross-sectional research design to gather primary data. By using this research design, data can be collected within a short period of time and less expensively. In addition, the characteristics of variables to be measured do not change much due to the short period of data collection. The population of the study was composed of managers, owners and other professionals of classified and unclassified hospitality organizations in Dehradun and Mussoorie of Uttarakhand. Based on the above criteria, a sample size of 143 managers, owners and other professionals was chosen.

Data collection

The study was conducted in Dehradun and Mussoorie between January and March 2012. Dehradun has town hotels, which serve both tourists and business clients, while Mussoorie hosts mainly vacation hotels that are influenced by the seasonality of tourism. A questionnaire as a survey instrument was developed to measure the managerial demographic characteristics and key performance indicators of hotels. In order to obtain detailed information concerning the performance measurement practices, semi-structured interviews were also carried out. The researchers used a five-point Likert scale in the survey instrument. The first section of the questionnaire included questions on managerial demographics (age, education, current position functional area, and work experience). The second section included 25 statements of performance indicators identified in the review of literature. The managers were asked to respond to the statement indicating their perception on importance each of the 25 performance indicators measured on a five-point Likert scale (1 – no importance to 5 – essential). The questionnaire was pilot tested using managers of three hotels in Dehradun who were considered representative of the study population. Data thus received was systematically arranged, tabulated and analyzed. Mean, Standard Deviation, ANOVA were used to analyze the data. Analysis was performed using SPSS version 15.

Data Analysis

Table 2: Demographic Characteristics

Demographic Characteristics	Characteristics	No of Respondents	%
	Total Number of Respondents	143	100
Education Level	Graduation	19	13.3
	Post Graduation	35	24.5
	Diploma in HM	38	26.6
	Professional Degree in HM	43	30.1
	Others	8	5.6
Length of Service	< 5 Years	14	9.8
	5-10 Years	69	48.3
	10-15 Years	35	24.5
	15-20 Years	20	14.0
	> 20 Years	5	3.5
Hotel Category	One Star	20	14.0
	Two Star	22	15.4
	Three Star	30	21.0
	Four Star	26	18.2
	Five Star	9	6.3
	Unclassified	36	25.2

From Table 2, shows the demographical characteristics of respondents. The highest number of the managers (43) (30.1 percent) indicated they had a professional degree in hotel management; 38 (26.6 percent) had a diploma in hotel management. Only 19 (13.3 percent) of all respondents had graduation degree. 69 (48.3 percent) respondents had working experience in the hospitality field for 5-10 years; 35 (24.5 percent) respondents had 10-15 years working experience in this field. Only 14 (9.8 percent) respondents had working experience less than five years in the hospitality industry. This indicated that the managers used in the sample are relatively experienced in hospitality operations in Uttarakhand. Respondent managers were selected from different categories of Hotels i.e. Classified and unclassified.

Table 3: Reliability Statistics

Cronbach's Alpha	Number of Items
.792	25

The results in Table 3 show a Cronbach's alpha for the key performance indicators of hotel performance, indicating acceptable level of reliability. The values of performance measures dimensions scales was 0.792. This implies that 25 performance indicators were reliable and consistent measures of performance dimensions of hotels.

Table 4: Key Performance Indicators

Key Performance Indicators	Mean	Std. Dev.	Rank
Financial Performance			
Total Revenue achieved	4.8322	.42767	1
F& B sales	3.9510	.85026	7
Total Room sales	4.6084	.55709	2
Room Occupancy	4.2238	.82581	4
Sales Growth	4.0000	.71207	6
Competitiveness			
Total Operating cost	3.8042	.74360	
Relative Market share	3.3986	.73293	
Number of new customers acquired	3.2657	.82181	
Degree of Competitiveness	3.6993	.62838	
Employee Performance			
Staff skill & competence	3.3147	.74512	
Staff appearance & friendliness	4.0000	.60514	5
Staff speed & Responsiveness	3.7902	.82950	
Staff Turnover	2.8811	.86797	
Operational Efficiency			
Customer Retention	3.6993	.62838	
Flexibility and ability to adjust customers needs and want	3.4615	.64752	
Ability to meet customer requirements on time	3.2867	.58889	
Resource utilization	3.7902	.73017	
Level of ICT usage	3.2797	.71607	
Hotel suppliers delivering on time	3.4965	.50175	
Innovativeness			
Number of product and services innovated per year	3.8531	.63864	10
Monitoring employee performance in terms of Innovation	3.8951	.68908	8
Service Quality			
Customer Satisfaction	4.4196	.68600	3
Customer Complaints	3.8951	.79358	9
Attitude, behavior, and expertise of employees as received from guest	3.7133	.75640	
Maintaining star hotel classification rating	3.3077	.55956	
Valid N (List-wise)			

The composite mean scores of the key performance indicators are presented in Table 4. The managers' composite mean scores for performance ranged from 4.83 down to 2.88. These results indicate that the managers in this study demonstrate reasonable use and value of a wide range of performance indicators. The study reveals that financial performance was regarded much more highly than non-financial performance measures, both in level of use and level of importance for decision making. The key performance indicators in descending order are total revenue achieved, total room sales, customer satisfaction, room occupancy, staff appearance and friendliness, sales growth, food and beverages sales, monitoring employee innovativeness, customers' complaints and number of product and services innovated per year. On a Likert scale of 1 to 5, the managers' lowest mean score was 2.88 for staff turnover and the highest mean score was 4.83 for total revenue achieved. The empirical research results clearly indicated that the majority of the respondent managers almost exclusively monitor financial dimensions of performance. Modest attention is being paid to non-financial dimensions such as customer satisfaction, degree of competitiveness, innovativeness, and resource utilization indicators.

Table 5: Mean of Performance Measurement Dimensions across Education Level

Education	Financial Perform-	Competi-tiveness	Employee Perfor-mance	Operati-nal	Innovati-vness	Service Quality
Graduation	4.2526	3.5132	3.1974	3.4298	3.7895	4.0789
Post Graduation	4.0343	3.5286	3.4571	3.4571	3.6857	3.7286
Diploma in Hotel Management	4.5737	3.9408	3.9934	3.7281	3.7807	3.9474
Professional Degree in HM	4.3209	3.8140	3.2326	3.4225	3.4496	3.7384
Others	4.1250	3.0625	3.4375	3.2292	4.1250	3.6875
Total	4.2979	3.6958	3.4965	3.5023	3.6783	3.8339

The mean of different dimensions of performance measurement across the different level of education (Table 5) reveals that financial performance scored highest mean across the respondents of different educational categories. At the same time this factor has scored highest among all education category respondents.

Table 6: ANOVA with Educational Category

		Sum of Squares	df	Mean Square	F	Sig.
Financial Performance	Between Groups	5.623	4	1.406	9.639	.000
	Within Groups	20.126	138	.146		
	Total	25.749	142			
Competiti-veness	Between Groups	7.702	4	1.926	9.728	.000
	Within Groups	27.315	138	.198		
Total	35.017	142				
Employee Performance	Between Groups	14.161	4	3.540	17.090	.000
	Within Groups	28.587	138	.207		
	Total	42.748	142			
Operational efficiency	Between Groups	2.979	4	.745	11.464	.000
	Within Groups	8.965	138	.065		
	Total	11.944	142			

Innovati-veness	Between Groups	4.480	4	1.120	10.044	.000
	Within Groups	15.389	138	.112		
	Total	19.869	142			
Service Quality	Between Groups	2.582	4	.646	5.045	.001
	Within Groups	17.661	138	.128		
	Total	20.243	142			

One-way ANOVA analysis was carried out with the assumption that mean of different performance measurement dimensions does not differ significant across the education level of respondents. From the table 6, it is clear that calculated value of F is greater than the tabulated value of F (2.37, α = .05) for all factor. Hence the null hypothesis is rejected, indicating that there is a significant difference in the mean of different performance measurement dimensions across the different factors of educational category.

Table 7: Mean of Performance Measurement dimensions across Hotel category

Hotel Category	Financial perform-ance	Competi-tiveness	Employee Perform-ance	Operatio-efficiency	Innovativ-eness	Service Quality
One Star	4.6000	3.5000	3.0000	3.3333	3.6667	3.2500
Two Star	4.3333	3.8750	3.2083	3.2500	3.4444	3.5000
Three Star	3.9333	3.2500	2.9792	3.2778	3.5833	3.8125
Four Star	4.0650	3.4875	3.4750	3.4042	3.7250	3.7313
Five Star	4.4585	3.8720	3.6250	3.6138	3.6992	3.9390
Unclass-ified	4.0000	2.2500	2.7500	2.8333	2.6667	2.7500
Total	4.2979	3.6958	3.4965	3.5023	3.6783	3.8339

Table 8: ANOVA with Hotel Category

		Sum of Squares	df	Mean Square	F	Sig.
Financial Performance	Between Groups	6.159	5	1.232	8.615	.000
	Within Groups	19.590	137	.143		
	Total	25.749	142			
Competiti-veness	Between Groups	9.024	5	1.805	9.513	.000
	Within Groups	25.993	137	.190		
	Total	35.017	142			
Employee Performance	Between Groups	6.133	5	1.227	4.589	.001
	Within Groups	36.616	137	.267		
	Total	42.748	142			
Operational efficiency	Between Groups	2.897	5	.579	8.772	.000
	Within Groups	9.047	137	.066		
	Total	11.944	142			
Innovativ-eness	Between Groups	1.583	5	.317	2.362	.042
	Within Groups	18.286	137	.133		
	Total	19.869	142			
Service Quality	Between Groups	3.859	5	.772	6.453	.000
	Within Groups	16.384	137	.120		
	Total	20.243	142			

One-way ANOVA analysis was carried out with the assumption that mean of different dimensions of performance measurement does not differ significant across the hotel category of respondents. From the table 8, it is clear that calculated value of F is greater than the tabulated value of F (2.37, ? = .05) except the factor like Innovativeness performance dimension. Hence the null hypothesis is rejected, indicating that there is a significant difference in the mean of different performance measurement dimensions across the different factors of hotel category except in the case of factor like Innovativeness. This indicates that managers, irrespective of their hotel category, believe innovativeness as a critical and strategic performance measurement dimension and encourage employees to generate innovative ideas about services and delivery process to enhance customer satisfaction and retention.

Discussion

The calculated ranking of the key performance indicators in hospitality industry can be analyzed by both managerial characteristics and stage of the performance measurement practices in Uttarakhand, which still lacks sophistication especially in hospitality firms. The study reveals managers rank financial indicators such as total revenue achieved (4.83), total room sales (4.61), room occupancy (4.22), sales growth (4.00), food and beverages sales (3.95) superior than non-financial indicators such as customer satisfaction (4.42), staff appearance and friendliness (4.00), innovativeness (3.89), customers' complaints (3.89) and number of product and services innovated per year (3.85). It shows that they are still focusing on financial measures of performance while ignoring non-financial measures. These results also suggest that managerial characteristics namely, education, current position, and their hotel category have no effect on the choice of key performance indicators. This indicates that traditional or financial performance measures are still prevalent and more preferred key performance indicators in the elite and educated management segment of almost all the hospitality organization.

Furthermore, it is also observed that managers of hospitality industry are still using traditional management style, and are not emphasizing on process advancement, customer orientation, application of scientific methods and techniques, and role of human capital in service delivery, which can improve business performance. Most hospitality organizations are yet to embrace comprehensive management information systems that can capture the necessary information in all performance dimensions. The hospitality managers need to rethink about the choice of their performance indicators. Therefore, hotels need to invest in comprehensive performance management systems suitable for hospitality industry that will enable the managers to capture both financial and non-financial data.

Conclusion

The study reveals the key performance indicators in descending order are total revenue achieved, total room sales, customer satisfaction, room occupancy, staff appearance and friendliness, sales growth, food and beverages sales, monitoring employee innovativeness, customers' complaints and number of product and services innovated per year. From the analysis, it can be concluded that the perception of hospitality managers towards key performance indicators are overwhelmingly dominated by financial dimensions with inadequate or little attention being paid to non-financial measures. This demonstrates that performance measurement within the hospitality industry is not balanced. They need to incorporate both financial and non-financial performance measures in their performance measurement systems. Demographic characteristics of hotel managers such as education, current position, and category of hotel do not influence managers' choice of key performance indicators.

The fundamental point is whatever happens in an organization is the effect of a variety of different causes that are prompted by customers (internal and external), employees (whose behavior affects the organization), and other stakeholders (e.g. shareholders, suppliers, and investors). Financial and non-financial key performance indicators provide vital information to the organization for tracking and predicting business performance against strategic objectives in a way that complements financial measures.

Limitations and scope for further research

Finally, there exists a limitation of the current research that warrants discussion. The industry population surveyed represents hospitality managers in some selected classified and unclassified hotels of Uttarakhand; therefore it is not appropriate for this study to make the claim that the findings are applicable to hospitality industry outside Uttarakhand. However, it is hoped that the study can be reproduced to test the extent of the applicability of the findings. On the other hand, this limitation may provide an opportunity for future research on the performance measurement practices and changing performance measurement dimensions in emerging and established hospitality industry. Future research could use a larger sample to enable a test for key performance indicators adopted by hospitality industry and cause-and-effect relationships between managerial characteristics and performance measurement practices. Furthermore, there need for research to explore broader model inclusive of all other factors that influence performance measurement in hospitality industry in a single model such as Balanced Scorecard.

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GLOBAL FINANCIAL TURBULENCE: INDIA'S PREPAREDNES

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ABSTRACT

An Indian Economy is surrounded by number of factors such as internal and external factors. Some of them are unpredictable or uncontrollable while others are controllable by any organization or economy. The unpredictable and swift changes in an organization's external or internal environment or in an economy are that affect its performance is known as Global Turbulence. Late 20th Century was global turbulent environment for global economy and Indian economy as well due to rapid growth in technology. Year 2008 was one of the special turbulent periods for Indian economy. In this paper, we had discussed about how year 2008 became global turbulent year for India and what strategies it adopted to prepare. However, as the financial crisis morphed in to a full-blown global economic downturn, India could not escape the second round effects. The global crisis has affected India through three distinct channels: financial markets, trade flows, and exchange rates. The reversal in capital inflows, which created a credit crunch in domestic markets along with a severe deterioration in export demand, contributed to the decline of gross domestic product (GDP) by more than 2 percentage points in the fiscal year 2008–2009. Methodology used is descriptive research study. The data is collected through secondary sources such as conference papers, discussion paper, RBI reports etc. The study revealed that Indian economy had minor impact of Sub-prime crisis originated in US 2008 which became global financial crisis. The reason behind this is efforts taken by governments and central banks all over the world, the Government and the Reserve Bank of India took aggressive countercyclical measures, sharply relaxing monetary policy and introducing a fiscal stimulus to boost domestic demand. However, this paper argues that with very limited fiscal maneuverability and the limited traction of monetary policy, policy measures to restore the Indian gross domestic product growth back to its potential rate of 8–9%.

Keywords: Sub-prime crisis, RBI, turbulence, GDP, monetary policy, cash crunch.

INTRODUCTION

The global economic crisis is widely viewed as a glaring example of global turbulence of limitless pursuit of greed and overindulgence at the expense of caution, prudence, due diligence and regulation. It is true that people who break the rules create consequences and, like a stone thrown in a pond, its ripples move ever outward. Wall Street firms broke the financial rules and regulations and the people of the world in general and the US in particular are being called upon to bear the brunt of it. Financial crises of some kind or the other occur sporadically virtually every decade and in various locations around the world. Financial meltdowns have occurred in countries ranging from Sweden to Argentina, from Russia to Korea, from the United Kingdom to Indonesia, and from Japan to the United States. Each financial crisis is unique, yet each bears some resemblance to others. In general, crises have been generated by factors such as overheating of markets, excessive leveraging of debt, credit booms, miscalculations of risk, rapid outflows of capital from a country, unsustainable macroeconomic policies, off-balance sheet operations by banks, inexperience with new financial instruments, and deregulation without sufficient market monitoring and oversight.

The Indian economy looked to be relatively insulated from the global financial crisis that started in August 2007 when the sub-prime mortgage crisis first surfaced in the United States (US). In fact, the Reserve Bank of India (RBI) was raising interest rates until August 2008 with the explicit objective of cooling the economy and bringing down the gross domestic product (GDP) growth rate, which visibly had moved above the rate of potential output growth and was contributing to the buildup of inflationary pressures in the economy. But when the collapse of Lehman Brothers on 23 September 2008 morphed the US financial meltdown into a global economic downturn, the impact on the Indian economy was almost immediate. External credit flows suddenly dried up and the overnight money market interest rate spiked to above 20% and remained high for the next month. It is perhaps judicious to assume that the impacts of the global economic downturn on the Indian economy are still unfolding. Against this backdrop, this paper attempts an analysis of the impact of the global financial crisis on the Indian economy and suggests some policy measures to put the economy back on track. In the present research the data is taken from the secondary sources. Research methodology explains and

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chooses the best (in terms of quality and economy) way of doing it. The information and data for the research can be collected through primary as well as secondary sources i.e. published articles, journals, news papers, reports, books and websites. The journals, research papers, discussion papers, bulletins, RBI reports etc are thoroughly reviewed. The available data has been carefully analyzed, interpreted and presented by studying about the how US crisis of 2008 became the global turbulence for the Indian economy. What are the sectors which affected due to the global financial crisis and how Indian economy prepared for it? Commensurate with the objective of the study, various suggestions have been employed in order to arrive at certain conclusions regarding "Global turbulence: India's preparedness". Percentage and graphs have been used for analysis of the data.

OBJECTIVE OF STUDY

The research study is conducted to have depth insight of Global Financial Crisis of US 2008 emerged as the Global Turbulence for the Indian Economy and how the economy prepared for it. Various objectives of the study are:-

- To study about the Global Financial crisis commonly known as Sub-prime crisis.
- Aftermath of crisis on Indian economy
- India's preparedness for the crisis and policy measures taken.

SUB-PRIME CRISIS

"Morgan Stanley announces job cut of 600 people"- The Wall Street Journal dated 28.10.2007 "Merril Lynch is taking a loss of nearly USD 8 billion, the highest ever in securities market history and its CEO; Stanley O' Neal was shown the door. At Citigroup, Charles Prince, Chairman and CEO, stepped down after the bank's spiraling losses"- New York Times dated 28.12.2007.

The above statements are not unrelated piece of information taken from various newspapers on something happened thousands of miles away in the United States. They are about the biggest ever financial debacle in the world's most advanced economic power, threatening to cross shores and affect everyone in the Globe one way or the other. It is about what is christened as Sub-prime crisis which has almost threatened a possible recession not only in the US economy but in other countries as well.

What is Sub-prime crisis? How it affects US economy and other economies?

Boom and recession are called Economic cycles. Of this recession is down turn, characterized by unemployment, lack of purchasing power, less demand, less manufacturing etc, forming a vicious cycle of poverty. In 1930, the war ravaged economy of Great Britain was on the brink of collapse with the post war recession looming large on them. That time lord Keynes, considered as the greatest economist of all times, advised British Government to resort to what was then called prime pumping. He jovially gave the example of prime pumping by asking the government to engage workers to dig a mile of trench, and use the same workers to fill it with the stand trenched and pay wages for both trenching and filling. The money disbursed as wages will boost consumption, production, wage disbursal etc, paving way for the recession-hit economy to come out of the vicious cycle. The idea worked and 'boosting consumption' came to be regarded as one of the accepted methods of tackling recession.

In 2001, US economy was experiencing recession like situation induced by dot com software bubble and sept, 11th attack on World trade centre and consequent fear of global terror attack. In response, the Federal Reserve (equivalent to our RBI in US), started cutting the lending rates. The Fed fund rates declined steadily and reached 1% in 2003 (which in Central Banking paralance is zero). The idea was to encourage borrowing, increase money supply and spur spending and investing (rather prime pumping of different order). A belief was created (one author remarks 'from white house down to local parent-teacher association') that spending is patriotism. Everybody was encouraged to spend. Spending with borrowed funds was not considered un-desirable. Americans were asked to spend their way out of economic decline with "consumerism…cast as the new patriotism." President Bill Clinton urged the people to "get out and shop."

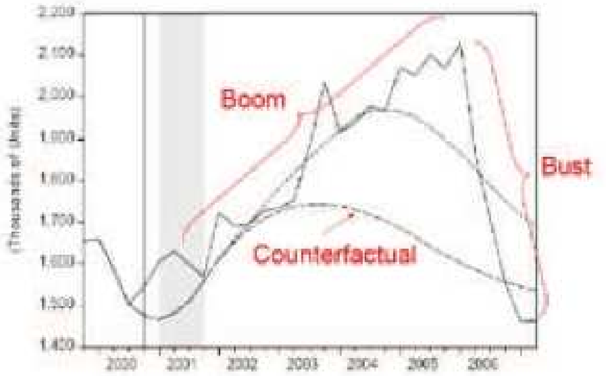
Boosting consumption to tackle recession was once again successful. US economy began to steadily expand in 2002, forgetting the bad memories of 2001.Simultaneously, property prices which were stagnant till id 2000 started increasing moderately. An average US investor, who normally does not purchase house property as an investment, started investing in house property as booming house prices and availability of cheap finance gave them lot of surplus over the interest on borrowed funds, while buying and reselling. But the Banking system in US had such as system that only borrowers with impeccable track record called 'Prime rated borrowers' could borrow. If the ratings are not very good, such borrowers are Sub-prime borrowers, and they would not be able to borrow money from the Banking system. Booming property prices lured lot of Americans to come forward to borrow and invest in real estate, but their sub-prime status was a real obstruction, with the then prevailing Banking practices.

To enable sub-prime borrowers, an innovative system of financial intermediaries developed that time. The system worked like this. A middle man with 'Prime' rating borrows money from banking sources. With the borrowed money he does not purchase property, but lends to number of sub-prime borrowers on the mortgage of property purchased obviously at a higher rate of interest. The repayment will be based on EMIs (Equated Monthly Installments).

When money was available even to sub-prime borrowers for purchase of property the borrowal-purchase activity went on at a very high scale. The excited sub-prime borrowers thought it a good opportunity to make quick money. Large number of them borrowed, purchased property, sold at higher price, made money and borrowed more to purchase bigger property. This cycle increased property prices still further, making purchase of house property as investment much more attractive than ever before. Between 1997 and 2006, American home prices have been increased by 124%. High risk loan options and incentives were offered. One example is Interest -only Adjustable rate mortgage (ARM) which allows the home owner to pay just the interest (not principal) during the initial period. Some ARMs were allowed at a very low initial interest (say 4%) which increased significantly after some initial period as much as doubling monthly EMI payment.

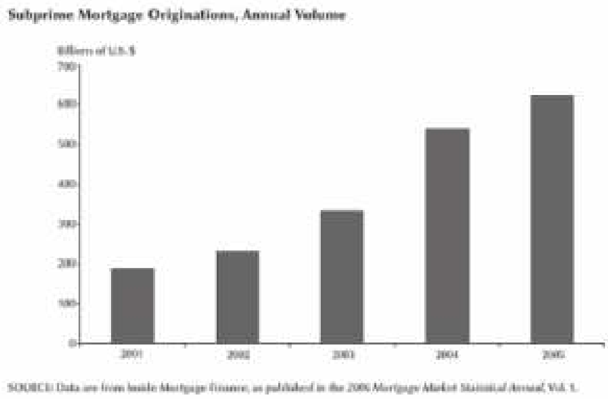
The middle man, called mortgage-lender, now has loans from banks on the liability side of the balance sheet and assured cash flow as EMI on the Asset side of balance sheet. His commercial interest is to enable sub-prime borrowers avail loan, lending his own 'Prime' rating status and earn some intermediary income. He is not interested to undertake credit risk and keep EMIs. Therefore the mortgage lenders resorted to 'Securitization.' The expected cash flow (EMIs of sub-prime borrowers), which is nothing but the right to repayments of loan borrowed were sold to investors. With minor variation, this sale was called as 'Mortgage based securities (MBS)' or 'Collateralized debt obligations (CDO).' Basically both MBS and CDO passed the right to mortgage payments along with the related credit/default risk to third-party investors for a price. Corporate, individual and institutional investors invested in MBSs or CDOs and faced credit risk. The mortgage lender, who initially borrowed from the Bank and lent to sub-prime borrowers, repaid his loan to the Bank from the sale proceeds of MBS/CDO. Now, the purchasers of MBSs and CDOs have invested their money and holding credit risk. In the event of non-payment by sub-prime borrowers, the holders of MBSs and CDOs will be affected, but this MBS/CDO carried higher than normal rate of interest, which was the attraction for investment.

Figure 1, The Boom-bust in housing starts compared to counterfactual



With the stability in Economy, the Fed Funds rate which remained at very low level or zero level started stabilizing and improving, and consequently home loan EMIs also increased. Simultaneously the housing prices in US started dropping moderately during Jan, 2007 to March 2007. The price fall coupled with increase in interest rate made holding of house property as investment less attractive. For the sub-prime borrower, the house property may not fetch him expected price even while the EMI is increasing, resulting in defaults. With large number of defaults by borrowers who were unable to pay increased EMI, foreclosures were the order of the day. 'Foreclosure' is the term used to mean either the property owners selling the properties to payback loan or the lenders taking over properties to sell them. During October-december, 2007, 5, 27,740 properties were foreclosed which was 79% higher in number than the same period previous year. During 2007 alone, 1.3 million house properties were subjected to foreclosure activity. Property prices fell down further like pack of cards with more foreclosures. Falling prices of house property made selling itself a very hard dispensation. By January, 2008 more than 4 million unsold existing homes were available. The home price level in December 2007 was 18.4% less than peak levels in 2006.

Figure 2, Subprime Mortgage



Securities held by financial institutions normally reflect traded price of the respective security in the financial statements which is called 'Market to market.' The MBS/CDO were also marked to market, but, since they are not readily realizable and the value of the underlying property is declining, the traded price also fell and was substantially less, compared to the time of initial investment. The MBSs and CDOs in many cases representated un-saleable houses. While marking the

MBS/CDO, the financial institutions had to book heavy losses leading to some of them filing bankruptcy. New Century Financial Corporation, American home Mortgage Corporation are some big names amongst financial institutions applying for bankruptcy. Citigroup have booked US$24.1 billion losses, Merril Lynch, another investment bank, booked US$22.5 billion losses. The US MBS market valued at US$ 6.5 trillion started collapsing.

Business standard dated 7th Jan, 2008 reports "The Reserve Bank of India, in its latest progress report on banking in India, noted that some Indian banks with overseas operations do have some exposure to credit derivatives and three could be some losses due to mark-to-market impact."

VARIED DIMENSIONS OF CRISIS

Let us discuss the varied dimensions of global turbulence in the following sub-headings:

Global spread of the crisis

Experts have held that the nature of US economy has contributed to the globalization of the crisis. America's financial system failed in its two crucial responsibilities: managing risk and allocating capital. It is viewed that a massive set of micro-failures gave rise to a massive macro-failure. Not only had the US financial sector made bad loans, they had engaged in multi-billion dollar gambles with each other through derivatives, credit default swaps, and a host of new instruments, with such opacity and complexity that the banks couldn't even ascertain their own balance sheets, let alone that of any other bank to whom they might lend. Credit markets froze.36 the dysfunctional US financial sector has immensely contributed towards the distortions in the global financial system.

Regrettably, many of the worst elements of the US financial system were exported to the rest of the world. Therefore, the financial turmoil which emerged in the US not only engulfed that country but also the whole world. Nations, far away from the US are scared by the collapse of some of the giants of the financial world. It is somewhat difficult to believe that some of the biggest investment banks and housing corporations have become the relic of the past. It has created havoc in the world economy and the ripples of credit contraction and distrust in the present financial institutions across the globe have become a sad reality.

While the crisis may have originated in developed countries and in the sub-prime-cum-structured finance markets, it has spread widely to other countries and markets via several different mechanisms. The initial impact stemmed from the direct exposure of emerging market financial institutions to sub-prime- related securities.

Credit Crunch

Usually, economic downturns have resulted in panics due to sudden changes in financial market sentiment. People literally panicked when something went wrong such as a failure by a borrower to meet the payment obligations. The result was that people withdrew money from banks and banks failed to lend. In such a situation, maintaining sufficient liquidity in the financial system has remained a formidable problem. Therefore, injection of capital into banks has been widely viewed as an enabling measure to provide additional liquidity and improve solvency. The recovery packages unveiled by different national governments are steps in this direction. But the irony is that even when the central banks can inject liquidity, they cannot erase losses nor can they erase risk

Crisis of Confidence and Credibility in the Financial Market

When a few leading institutions failed, the entire financial system got enveloped in an acute crisis. In the mood of pervasive fear, banks stopped lending to each other in the financial centres. Banks were not interested in proactive lending. The financial markets in the West have frozen in panic. The whole episode has exposed unbridled greed and pervasive corruption enabled by governments that lost sight of their responsibility to protect their citizens. The credibility of the dominant stakeholders has been shattered.

Failure in addressing global issues such as Climate Change

The global economic crisis in the developed countries and elsewhere also has contributed towards the limited global efforts in reaching agreement on international issues such as climate change. With the severity of economic crisis, the agenda for concerted global action for substantial reduction in Green House gases has been accorded less priority. But in order to ensure sustainable development, the issues concerning climate change must receive due priority in the scheme of development, especially while creating jobs, ensuring energy supplies, inducting new technologies, etc. Clearly, the world today is faced with two crises. The global financial crisis is almost immediate; the more existential is climate change. The urgency of the first is no excuse for neglecting the second. To the contrary, it is an opportunity to kill two birds with one stone.

IMPACT ON INDIAN ECONOMY

Off Shoot of Globalized economy

With the increasing integration of the Indian economy and its financial markets with rest of the world, there is recognition that the country does face some downside risks from these international developments. In India, the adverse effects have so far been mainly in the equity markets because of reversal of portfolio equity flows, and the concomitant effects on the domestic forex market and liquidity conditions. The macro effects have so far been muted due to the overall strength of domestic demand, the healthy balance sheets of the Indian corporate sector, and the predominant domestic financing of investment.

Aspects of financial turmoil

Capital Outflow

The main impact of the global financial turmoil in India has emanated from the significant change experienced in the capital account in 2008-09, relative to the previous year. Total net capital flows fell from US$17.3 billion in April-June 2007 to US$13.2 billion in April-June 2008. While Foreign Direct Investment (FDI) inflows have continued to exhibit accelerated growth (US$ 16.7 billion during April-August 2008 as compared with US$ 8.5 billion in the corresponding period of 2007), portfolio investments by foreign institutional investors (FIIs) witnessed a net outflow of about US$ 6.4 billion in April-September 2008 as compared with a net inflow of US$ 15.5 billion in the corresponding period last year. Similarly, external commercial borrowings of the corporate sector declined from US$ 7.0 billion in April-June 2007 to US$ 1.6 billion in April-June 2008, partially in response to policy measures in the face of excess flows in 2007-08, but also due to the current turmoil in advanced economies.

Impact on Stock and Forex Market

With the volatility in portfolio flows having been large during 2007 and 2008, the impact of global financial turmoil has been felt particularly in the equity market. Indian stock prices have been severely affected by foreign institutional investors' (FIIs') withdrawals. FIIs had invested over Rs 10, 00,000 crore between January 2006 and January 2008, driving the Sensex 20,000 over the period. But from January, 2008 to January, 2009 this year, FIIs pulled out from the equity market partly as a flight to safety and partly to meet their redemption obligations at home. These withdrawals drove the Sensex down from over 20,000 to less than 9,000 in a year. It has seriously crippled the liquidity in the stock market. The stock prices have tanked to more than 70 per cent from their peaks in January 2008 and some have even lost to around 90 per cent of their value. This has left with no safe haven for the investors both retail and institutional. The primary market got derailed and secondary market is in the deep abyss.Investors have shifted from stocks and mutual funds to bank deposits and from private to public sector banks. Highly leveraged mutual funds and non-banking finance companies (NBFCs) have been the worst affected.

Impact on Indian Banking System

The Indian banking system is not directly exposed to the sub-prime mortgage assets. It has very limited indirect exposure to the US mortgage market, or to the failed institutions or stressed assets. Indian banks, both in the public sector and in the private sector, are financially sound, well capitalized and well regulated. The average capital to risk-weighted assets ratio (CRAR) for the Indian banking system, as at end-March 2008, was 12.6 per cent, as against the regulatory minimum of nine per cent and the Basel norm of eight per cent. A detailed study undertaken by the RBI in September 2007 on the impact of the sub-prime episode on the Indian banks had revealed that none of the Indian banks or the foreign banks, with whom the discussions had been held, had any direct exposure to the sub-prime markets in the USA or other markets. However, a few Indian banks had invested in the collateralized debt obligations (CDOs)/ bonds which had a few underlying entities with sub-prime exposures.

Thus, no direct impact on account of direct exposure to the sub-prime market was in evidence. Consequent upon filling of bankruptcy by Lehman Brothers, all banks were advised to report the details of their exposures to Lehman Brothers and related entities both in India and abroad. Out of 77 reporting banks, 14 reported exposures to Lehman Brothers and its related entities either in India or abroad. An analysis of the information reported by these banks revealed that majority of the exposures reported by the banks pertained to subsidiaries of Lehman Brothers Holdings Inc., which are not covered by the bankruptcy proceedings.

Overall, these banks' exposure especially to Lehman Brothers Holdings Inc. which has filed for bankruptcy is not significant and banks are reported to have made adequate provisions. In the aftermath of the turmoil caused by bankruptcy, the Reserve Bank has announced a series of measures to facilitate orderly operation of financial markets and to ensure financial stability which predominantly includes extension of additional liquidity support to banks.

Table 1: Key Indicators of Scheduled Commercial Banks in India

Variables	2004-05	2005-06	2006-07	2007-08
Capital to Risk weighted assets (CRAR)	12.8	12.3	12.3	13.0
Of which : Tier I CRAR (percent)	8.4	9.3	8.3	9.1
Net Non-performing assets (percent to net advances)	1.9	1.2	1.0	1.0
Net Non-performing assets (percent to assets)	0.0	0.7	0.6	0.6
Net Profit (percent to assets)	0.8	0.9	0.9	1.0
Net Interest Margin (percent to assets)	2.8	2.8	2.6	2.3

Source: RBI, Report on Trend and Progress

Impact on Industrial Sector and Export Prospect

The financial crisis has clearly spilled over to the real world. It has slowed down industrial sector, with industrial growth projected to decline from 8.1 per cent from last year to 4.82 per cent this year.78 The service sector, which contributes more than 50 per cent share in the GDP and is the prime growth engine, is slowing down, besides the transport, communication, trade and hotels & restaurants sub-sectors. In manufacturing sector, the growth has come down to 4.0 per cent in April-November, 2008 as compared to 9.8 per cent in the corresponding period last year. Sluggish export markets have also very adversely affected export-driven sectors like gems and jewellery, fabrics and leather, to name a few. For the first time in seven years, exports have declined in absolute terms for five months in a row during October 2008-February 2009

Impact on Poverty

The economic crisis has a significant bearing on the country's poverty scenario. The increased job losses in the manual contract category in the manufacturing sector and continued layoffs in the export sector have forced many to live in penury. The World Bank has served a warning through its report, "The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens," which counts India among countries that have a "high exposure" to increased risk of poverty due to the global economic downturn.

Impact on Growth

After clocking an average of 9.4 per cent during three successive years from 2005-06 to 2007-08, the growth rate of real GDP slowed down to 6.7 per cent (revised estimates) in 2008-09.

INDIA'S PREPAREDNESS FOR THE CRISIS

RBI's Response as monetary authority

Till August 2008, the RBI followed a tight monetary stance in view of the inflationary pressures arising from crude, commodity and food prices. In mid- September 2008, severe disruptions of international money markets, sharp declines in stock markets across the globe and extreme investor aversion brought pressures on the domestic money and forex markets.

- The RBI responded by selling dollars consistent with its policy objective of maintaining orderly conditions in the foreign exchange market. Simultaneously, it started addressing the liquidity pressures through a variety of measures.
- A second repo auction in the day under the Liquidity Adjustment Facility (LAF) was also re-introduced in September 2008.
- The repo rate was cut in stages from 9 per cent in October 2008 to the current rate of 4.75 per cent. The reverse repo rate was brought down from 6 per cent to 3.25 per cent. The cash reserve ratio which was 9 per cent in October 2008 has been brought down to 5 per cent.
- To overcome the problem of availability of collateral of government securities for availing of LAF, a special refinance facility was introduced in October 2008 to enable banks to get refinance from the RBI against a declaration of having extended bona fide commercial loans, under a pre-existing provision of the RBI Act for a maximum period of 90 days.
- The statutory liquidity ratio requiring banks to keep 25 per cent of their liabilities in government securities was reduced to 24 per cent. These actions of the RBI since mid-September 2008 resulted in augmentation of actual/potential liquidity of nearly $50 billion.

Financial Stability Objective – RBI's response

The immediate result of tightening of the money and credit markets in October 2008 created demands on banks that were already expanding credit well beyond the resources raised from the public by way of deposits. Companies which were substituting overseas credit and capital market sources with bank funds started withdrawing funds parked with mutual funds and utilizing their undrawn limits with banks. Some of the companies that had issued commercial paper in the market - especially the real estate companies and the non banking companies - found it difficult to roll over the maturing paper.

The Commercial Paper and Certificates of Deposit markets became illiquid and mutual funds started facing severe redemption pressures. Hence, in the interest of maintaining financial stability the RBI instituted a 14-day special repo facility for a notified amount of about $ 4 billion to alleviate liquidity stress faced by mutual funds, and banks were allowed temporary use of Statutory Liquidity Ratio (SLR) securities for collateral purposes for an additional 0.5 per cent of Net Demand and Time Liabilities exclusively for this.

Subsequently, this facility was extended for Non Banking Finance Companies (NBFCs) and later to housing finance companies as well. The relaxation in the maintenance of the SLR was enhanced to the extent of up to 1.5 per cent of their NDTL. Considering the systemic importance of the NBFC sector, the Government in consultation with the RBI announced the setting up of a special purpose vehicle (SPV) that could raise funds from the RBI against government-guaranteed bonds to meet the temporary liquidity constraints of systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI).

RBI's response as regulator of Banks and NBFCs

The Indian banking system was not affected by the global crisis and all financial parameters have remained strong with capital adequacy ratio for the system at 13.65 per cent (tier I ratio at 8.95 per cent), return on assets over 1 per cent, non-performing loans around 2 per cent as of March 2009. All commercial banks meet the minimum capital adequacy norm of 9 per cent and throughout the crisis period, inter-bank markets for money, forex and debt have been functioning smoothly.

The impact of the crisis in India, as in many Emerging Market Economies (EMEs), spilled over from the real sector to the financial sector. Industry and businesses especially the Small and Medium Enterprises (SME) sector had to grapple with a host of problems such as delay in payments of bills from overseas buyers as also domestic buyers affected by the global slowdown; increase in stocks of finished goods; fall in value of inventories, especially raw material, which in many cases- were acquired at higher prices such as metal and crude oil based products; slowing down of capacity expansion due to fall in investment demand; demand compression for employment intensive industries, such as, gems and jewellery, construction and allied activities, textiles, auto and auto components and other export oriented industries. Hotels and airlines apart from IT also saw fall in demand due to global downturn.

The RBI took a series of regulatory measures in addition to providing liquidity and special refinance:-

- In the context of high growth in bank credit to certain sectors, the RBI had raised in stages the risk weights for these sectors and had also increased the provisioning requirements for standard assets. In November 2008, as a countercyclical measure, the additional risk weights and provisions were withdrawn and restored to previous levels.
- The prudential regulations for restructured accounts were modified, as a one-time measure and for a limited period of time.
- The modified regulations were in operation for applications for re-structuring received up to March 31, 2009 and restructured packages implemented within 120 days of receipt of application or by June 30, 2009, whichever was earlier.
- To take care of the problem of restructured accounts that had become unsecured due to loss in the value of inventories, special regulatory treatment for asset classification was permitted if additional provisions were made as prescribed for the unsecured portion.
- In the case of NBFCs, having regard to their need to raise capital, they were allowed to issue perpetual debt instruments qualifying for capital. They were also allowed further time of one more year to comply with the increased Capital to Risk-Weighted Asset Ratio (CRAR) stipulation of 15 per cent as against the existing requirement of 12 per cent. Risk weight on banks' exposures to NBFCs which had been increased earlier was brought down.

CONCLUSION

The year 2008 has been a special turbulent year for the Indian economy as it had been hit by the global financial crisis commonly known as sub-prime crisis which originated from US. No doubt, this crisis has threatened the whole world economy but it had a minor impact on Indian economy. Nevertheless, various sectors were affected by the crisis such banking sector, financial services sector including forex market, industrial sector, export market, growth etc , the impact on whom have been discussed in the above paper. Number of banks and financial institution were bankrupted in US and other European countries but still it left a negligible impact on Indian Banking sector. The key indicators of commercial banks such as Capital adequacy ratio (CAR), Non- performing assets (NPA), Net profits and Net interest margin are quite stable over the years i.e. 2004-05 to 2007-08. It can be inferred here that in spite of the evolution of crisis and then coming into depth leading insolvency and bankruptcy of the various big banks and financial institutions, Indian commercial banks performed up to the mark. NPA figure depicts that banks had implemented strict policies with regard to debt collection and which in turn kept the net profit stable over the years. Banks had maintained sufficient capital against risk weighted assets so as to meet the contingencies. Reserve Bank of India (RBI) is the regulator of Indian banking Industry who time to time announced various policies with regard to liquidity which prevent institutions from excessive risk taking and financial markets from becoming extremely volatile and turbulence. Gradually, other sectors were also on the track by policy measures of the respective regulators such as IRDA, AMFI, SEBI and Government of India.

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MICRO FINANCE: CUSTOMER SATISFACTION LEVEL OF HISAR, HARYANA

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ABSTRACT

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services .Robust economic growth is not possible without putting in place well focused integrated programs to reduce poverty through empowering the people by increasing their access to the factors of growth , especially credit issued at the micro level , but there is nothing micro about poverty. Bridging the gap between the potential demands for and the actual supply of microfinance service is a big challenge. In this paper, the satisfaction level of formal and informal source of microfinance has been discussed along with it impact of the microfinance service on the lives of the respondents. While discussing the factors and the theoretical position associated with innovation in microfinance this paper has also brought out the missing link between the lender and borrower in the Indian context. As per the authors filling this gap is a precondition for poverty reduction on account of the influence of new paradigm of institutional viability under commercial microfinance.

Key words: *formal Microfinance, informal microfinance*

INTRODUCTION

In the Asia and Pacific region, removal of poverty is an important challenge and aim. In the past few years, India has shown drastically changed perspective for alleviation of poverty in innovation ways and methods. Many schemes and programs for alleviation poverty and providing support to the poor have been introduced by the Government of India. But all the policies did not yield the desired results. People turned more dependent on loans and this led them into a debt trap. So the genesis of microfinance, as it is made up today, can be traced to the negative outcomes of the state-sponsored and state-subsidized poverty alleviation measures for many decades. Microfinance is one channel which gives access to financial service, such as savings, credit, insurance, and money transfer to those people who do not have access to commercial loans because they do not have the means to repay them and would remain as undeserved. Microfinance has been attracting interest from a growing pool of investors over the last few years, with socially responsible public investors boosting their commitment to the assets class despite the absence of reliable market benchmarks on microfinance equity performance. As per the Banker, across the world, almost 2.5 billion people from low – income countries and majority of the 2.7 billion people from the middle-income countries are still underserved or completely disregarded by the conventional financial service industry, and unfortunately India is among them. In India, almost 75 million poor households that are totally neglected by the conventional financial service industry are the potential buyers of microfinance, which makes the microfinance market of India the largest in the world. In India, almost 80% poor households are located in the rural areas. Their credit demand is as high as 500 bn. There is a great diversity in household credit demand, which varies from a minimum of 2,000 to 6,000 in rural areas and 9,000 in urban settings. This may be the potential consumer base for microfinance, ranging from the low end of the middle class to the poor.

About Microfinance:

Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services. Microfinance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. While some studies indicate that microfinance can play a role in the battle against poverty, it is also recognized that is not always the appropriate method, and that it should never be seen as the only tool for ending poverty. Microfinance is defined as any activity that includes the provision of financial services such as credit, savings, and insurance to low income individuals which fall just above the nationally defined poverty line, and poor individuals which fall below that poverty line, with the goal of creating social value. The creation of social value includes poverty alleviation and the broader impact of improving livelihood opportunities through the provision of capital for micro enterprise and insurance and savings for risk mitigation and consumption smoothing. A large variety of actors provide microfinance in India, using a range of microfinance delivery methods. Since the ICICI Bank in India, various actors have endeavored to provide access to financial services to the poor in creative ways. Governments also have piloted national programs, NGOs have undertaken the activity of raising donor funds for on-lending, and some banks have partnered with public organizations or made small inroads themselves in providing such services. This has resulted in a rather broad definition of microfinance as any activity that targets poor and low-income individuals for the provision of financial services. The range of activities undertaken in microfinance include group lending, individual lending, the provision of savings and insurance, capacity building, and agricultural business development services. Whatever the form of activity however, the overarching goal that unifies all actors in the provision of microfinance is the creation of social value. 'Microfinance refers to small scale financial services for both credits and deposits- that are provided to people who farm or fish or herd; operate small or micro enterprise where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries in both rural and urban areas'.

Models of Microfinance

Grameen Bank Model: This model was invented by Md. Yunus. The unique point of Grameen model is the simplicity of the product design, its repayment system. Grameen model has certain assumptions as like all the loans are only for enterprise promotion and all the poor want to become self-employed person. The loan repayment period starts after one week from the disbursement of the loan. The model

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includes:

– Homogenous group: Minimum five members in a group;

– Regulars: Savings must be done by all members. Loan approved at center meeting. Loan directly disbursed to the individual should be repaid under 50 installments.

Service Company Model: In this model, banks create their own Micro financial Institutions (MFIs) for loan disbursement to the poor. The bank uses its own network to expand its services. This model is similar to the partnership model. It has two distinctive features: 3

1.The MFI uses the network of the bank to reach its client. This model is a cost-cutting method in comparison to the independent MFI. In this model the MFI works specifically for the bank and develops cooperation between them for their advantage.

2. The partnership model uses both infrastructure and finance. This model has the potential to take the burden of microfinancial operations of the bank with the help of MFI managers for open operations in the market.

Bank Partnership Model: In this model, banks act as a lender and MFI plays the role of an agent. The MFI does all the work on behalf of the MFI. The MFI takes care of its consumers from the first to the final repayment of the loan. The model has the potential to significantly increase the amount of funding that MFIs can leverage on a relatively small equity base.

Banking Correspondents - This model is based on expansion on savings on behalf of the bank. The bank allows the MFI to collect the savings.

Bandhan Model: It started as a Capacity Building Institution (CBI) in November 2000 under the leadership of Chandra Shekhar Ghosh. At that time, it was developed especially to give capacity building support to the local MFI working in West Bengal. It is working towards the twin objective of poverty alleviation and women empowerment.

ISSUES AND CHALLENGES

In the past decade, MFIs have emerged as key providers of financial services for the small borrowers especially those whose borrowing needs are below 25,000. The most important reason is that banks outreach to such borrowers has progressively declined, both as a proportion of credit and in terms of total bank account. The poor people, who earn daily wages for meeting their daily requirements, cannot go to the bank for a small amount of loan. For this small amount, they changed from „bankable to „non-bankable for loan. In this condition, they have the only option of taking loans from MFIs. Different MFIs have different norms and conditions for granting loans to the poor. There is a possibility that one MFI rejects his/her loan requirement because of strict rules of loan disbursement procedure. Now, the needy persons have the option of going to another MFI for the loan. Unfortunately, if the second MFI also rejects the application because of the same reason, the urgent need for fast cash creates mental harassment for those people who are either unemployed or self-employed. The question that arises here is that how many MFIs can the persons who hardly meet their daily requirement of basic things (food, cloth and shelter) approach for loan in a short span of time. Loan taking purpose might be anything it may be for farming, marriage, medicine, etc. If all the MFIs near their town reject their application, they have the only few options of giving up or going to money lenders for the loan at higher interest rate with a debt trap.

The next question is: Will microfinance be affected by subprime crisis? Will existing microfinance lenders be crowded out by aggressive new entrants? What will be final outcome of subprime crisis? How can microfinance help solve the global crisis? This paper tries to find answers to these questions. This paper also tries to find some solutions to prevent another subprime mortgage debacle in the microfinance sector.

After reviewing the literature some of the prominent gaps which can be identified are

a.In the available literature much has been talked about the role of credit either positive or negative. Some scholars also tried to explore the role of savings services for the promotion ofmicroenterprise development up to a limited extent. Almost no studies have been done on the role of other financial services like micro insurance and money transfer services in promoting microenterprise development. More importantly there is also lack of studies on the impact of providing comprehensive micro financial services on the microenterprise development.

b.Some organizations are very successful in promoting microenterprises whereas some are not. On the other hand there is a great diversity in terms of approaches for promoting microenterprises. There is a lack of study to understand the causes of success and failures of various approaches adopted by various organizations.

Microenterprise is always related with income promotion objective. But it also serves a more important role of protection for the poor. There is also lack of studies on the protection aspect of the microenterprise.

Research Methodology

Objectives of Study

a. To explore into the respondents' preference for the formal and the informal sources of finance.

b. To assess the level of satisfaction of the respondents with regards to the microfinance services.

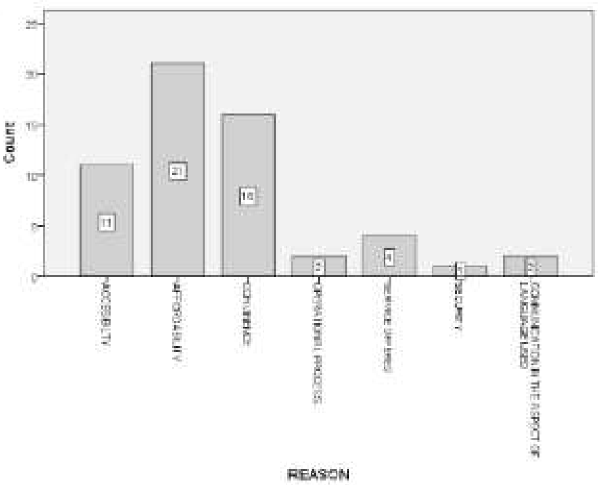
c. To analyze the level of impact of the microfinance services on the lives of the respondents.

To satisfy the objectives, the primary data was collected with the help of a structured questionnaire. Sample of 177 respondents was selected. – Non probability convenience sampling was taken from the microfinance client in Hisar (Barwala) weighted average scores, frequency and percentages have been used to draw the meaningful inferences from the study. Scaling technique: Ordinal rating scale is used as scaling technique in the questionnaire

DATA ANALYSIS AND INTERPRETATION:

Let us analyze the data and interprets them in the following sub-headings:

REASON FOR TAKING FORMAL SOURCE OF MICROFINANCE :



Graph

SAARANSH
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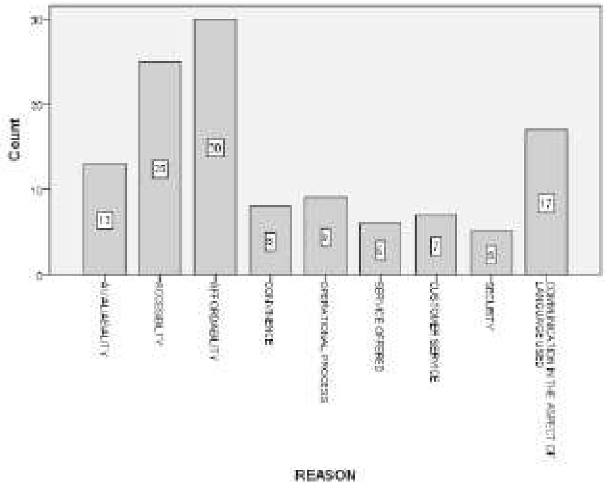
From the above bar chart out of 57 sample size of formal source of microfinance opting people 11 sample size people have taken it for accesibility,21 for affordability,16 for convinence,2 for operational process , 4 for service offered , 1 for security and 2 for communication in the aspect of language used. It is concluded that majority of the people taken the formal source of microfinance because of three reasons affordability, accessibility and convenience.

REASON FOR TAKING INFORMAL SOURCE OF MICROFINANCE :



From the above bar chart out of 120 sample size of informal source of microfinance opting people 13 sample size people have taken it for availability ,25for accesibility,30 for affordability,8 for convinence,9for operational process , 6 for service offered ,7 customer service, 5 for security and 17 for communication in the aspect of language used. It is concluded that majority of the people taken the formal source of microfinance because of three reasons availability, affordability, accessibility and communication in the aspect of language.

PERCEIVED SATISFACTION LEVEL OF MICROFINANCE BORROWS :

FOR INFORMAL SOURCE OF MICROFINANCE :

This section deals with examining the satisfaction level of the respondents with regards to the microfinance services availed from different sources of finance. A questionnaire containing twenty variables related to micro credit was administered to 170 respondents. Out of the total number of respondents only 120 respondents reported having taken credit from informal sources and 57 from formal sources. The respondents were asked to rate each variable on a five point likert scale according to the satisfaction derived from it. For the purpose of analysis of the satisfaction level of the respondents, Weighted Average Score (WAS) was calculated for each variable. The variables were categorized as variables of high satisfaction, moderate satisfaction, and slight satisfaction depending upon their WAS as explained in Table.

FREQUENCY TABLE FOR INFORMAL SOURCE OF MICROFINANCE

S No.	ACTIVITY	HS	S	N	D	HD	WAS
1	Amount Of Loan Availed	754	2	3		0	1.400
2	Loan Duration	16	56	27	11	10	2.5250
3	Recognition And Respect From The Provider	17	65	31	4	3	2.2583
4	Timings To Access Credit	12	13	18	40	37	3.6417
5	Transportation Cost To Visit A Bank Branch	28	61	15	12	4	2.1917
6	Enough Information Is Provider	17	50	45	8	0	2.3667
7	Rate Of Interest	12	35	31	27	15	2.9833
8	Time Taken To Get The Loan Sanctioned	24	58	29	8	1	2.2000
9	Suitable Products Are Available As Per Needs	32	53	25	8	2	2.1250
10	Compulsory Saving Requirement	16	23	25	39	17	3.1500
11	Requirement Of Guarantee	22	62	19	14	3	2.2833
12	Behavior Of Bank Staff	20	56	38	5	1	2.2583
13	Complaint / Problems Are Well Entertained	13	44	39	19	5	2.2583
14	Consequences Of Non Repayments	16	47	32	14	11	2.6583
15	Convenient Procedure	10	48	39	18	5	2.6417
16	Terms And Conditions	8	66	38	6	2	2.6667
17	Demands For Collaterals	11	48	48	10	3	2.4000
18	Loan Utilization Check	3	28	32	50	7	3.2500
19	File Charges	10	53	34	21	2	2.6000
20	Repayment Policy	13	29	25	37	16	3.1167

It is observed that out of total twenty variables only 1 variable has been ranked in the category of high satisfaction, 8 variables in the category of moderate satisfaction and the remaining 5 as of slight satisfaction. A majority of the respondents perceived the 'Amount of loan availed' to be yielding highest satisfaction having WAS of 1.400 and terms and conditions has been ranked at the lowest among the activities of slight satisfaction with WAS of 2.667.

Impact of INFORMAL Microfinance

This section deals with the examination of the level of impact which the respondents observed after taking micro credit. All 120 respondents availing micro credit were asked to rate the activities showing impact on their lives of micro credit on five point Likert scale. The impact level has been analyzed by calculating the WAS for each activity. The activities have been categorized as activities of high Impact, moderate impact and slight Impact as explained Table.

Frequency Table

S No.	ACTIVITY	HS	S	N	D	HD	WAS
1	Improvement In Social Status	19	46	35	17	3	2.4917
3	Improvement In Consumption Level	11	52	44	9	4	2.5250
4	Improvement In Income Level	11	47	37	18	7	2.6917
5	Increase In Decision Making Power	15	29	39	33	4	2.8500
6	Confidence Building	10	46	30	29	5	2.7750
7	Improved	10	37	48	23	2	2.7500
	Communication Skills	10	37	48	23	2	2.7500
8	Awareness Of Social Issues	16	44	45	14	1	2.5000
9	Education Level	27	56	29	8	0	2.1500

It is observed that out of 9 variables not a single variable has been ranked as the activity of high impact. Interestingly only 1 activity has been ranked as of slight impact i.e. 'increase in decision making power' with WAS of 2.85 while rest 8 activities ranked as that of having moderate impact.

FORMAL SOURCE Microfinance

FREQUENCY TABLE

S No.	ACTIVITY	HS	S	N	D	HD	WAS
1	Amount Of Loan Availed	2	3	0	36	16	4.0702
2	Loan Duration	2	13	19	12	11	3.2982
3	Recognition And Respect From The Provider	5	36	15	1	0	2.2105
4	Timings To Access Credit	8	8	11	23	7	3.2281
5	Transportation Cost To Visit A Bank Branch	3	13	7	25	9	3.4211
7	Rate Of Interest	4	3	14	23	13	3.6667
8	Time Taken To Get The Loan Sanctioned	4	17	6	23	7	3.2105
9	Suitable Products Are Available As Per Needs	28	25	1	2	1	1.6491
10	Compulsory Saving Requirement	2	4	8	37	6	3.7193
11	Requirement Of Guarantee	3	13	5	21	15	3.5614
12	Behavior Of Bank Staff	11	27	8	18	1	2.3509
13	Complaints / Problems Are Well Entertained	5	17	16	14	5	2.9474
14	Consequences Of Non-Repayments	5	15	10	12	15	3.2982
15	Convenient Procedure	1	10	14	18	14	3.5905
16	Terms And Conditions	0	14	5	22	16	3.7018
17	Demands For Collaterals	18	16	20	2	1	2.1579
18	Loan Utilization Check	2	4	11	34	6	3.6662
19	File Charges	2	17	13	24	1	3.0877
20	REPAYMENT POLICY	0	6	8	30	13	3.8772

It is observed that out of total twenty variables only 1 variable has been ranked in the category of high satisfaction, 4 variables in the category of moderate satisfaction and the remaining 1 as of slight satisfaction. A majority of the respondents perceived the 'suitable products are available as per needs' to be yielding highest satisfaction having WAS of 1.6491 and terms and conditions has been ranked at the lowest among the activities of slight satisfaction with WAS of 2.9474 complaints / problems are well entertained.

IMPACT OF MICROFINANCE

FREQUENCY TABLE:

S No.	ACTIVITY	HS	H	C	D	SD	WAS
1	Improvement In Social Status	10	18	17	11	1	2.5614
2	Poverty Reduction	7	17	31	2	0	2.4912
3	Improvement In Consumption Level	1	27	23	3	3	2.6491
4	Improvement In Income Level	1	15	23	13	5	3.1053
5	Increase In Decision Making Power	3	11	12	29	2	3.2807
6	Confidence Building	2	26	17	8	4	2.7544
7	Improved Communication Skills	12	14	22	7	2	2.5263
8	Awareness Of Social Issues	4	15	26	12	0	2.8070

INTREPRETATION:

It is observed that out of 9 variables not a single variable has been ranked as the activity of high impact. Interestingly only 6 activities have been ranked as of slight impact with WAS of more than 2.05 till 2.8070 while rest 2 activities ranked as that of having no impact and 1 activity education level has moderate impact.

COMPARISON BETWEEN FORMAL & INFORMAL SOURCE OF MICROFINANCE

S No.	ACTIVITY	WAS INFORMAL	WAS FORMAL
1	Amount Of Loan Availed	1.400	4.0702
2	Loan Duration	2.5250	3.2982
3	Recognition And Respect From The Provider	2.2583	2.2105
4	Timings To Access Credit	3.6417	3.2281
5	Transportation Cost To Visit A Bank Branch	2.1917	3.4211
6	Enough Information Is Provided By The Provider	2.3667	2.3158
7	Rate Of Interest	2.9833	3.6667
8	Time Taken To Get The Loan Sanctioned	2.2000	3.2105
9	Suitable Products Are Available As Per Needs	2.1250	1.6491
10	Compulsory Saving Requirement	3.1500	3.7193
11	Requirement Of Guarantee	2.2833	3.5614
12	Behavior Of Bank Staff	2.2583	2.3509
13	Complaints / Problems Are Well Entertained	2.2583	2.9474
14	Consequences Of Non-Repayments	2.6583	3.2982
15	Convenient Procedure	2.6417	3.5905
16	Terms And Conditions	2.6667	3.7018
17	Demands For Collaterals	2.4000	2.1579
18	Loan Utilization Check	3.2500	3.6662
19	File Charges	2.6000	3.0877
20	Repayment Policy	3.1167	3.8772

In the above comparison the significance difference has been observer in the case of timings required for to access credit, suitable products availability, loan utilization like factors in informal micro finance.

Results and Findings

From the above analysis it is concluded that majority of the people taken the formal source of microfinance because of three reasons affordability, accessibility and convenience .Also for formal source of microfinance because of three reasons availability, affordability, accessibility and communication in the aspect of language. It is observed that out of total twenty variables only one variable has been ranked in the category of high satisfaction, eight variables in the category of moderate satisfaction and the remaining 5 as of slight satisfaction for formal source of Microfinance.

A majority of the respondents perceived the 'Amount of loan availed' to be yielding highest satisfaction having WAS of 1.400 and terms and conditions has been ranked at the lowest among the activities of slight satisfaction with WAS of 2.667. It is also observed in implication of formal microfinance that out of 9 variables not a single variable has been ranked as the activity of high impact. Interestingly only 1 activity has been ranked as of slight impact i.e. 'increase in decision making power' with WAS of 2.85 while rest 8 activities ranked as that of having moderate impact. In the case of informal source of microfinance out of total twenty variables only 1 variable has been ranked in the category of high satisfaction, 4 variables in the category of moderate satisfaction and the remaining 1 as of slight satisfaction. A majority of the respondents perceived the 'suitable products are available as per needs' to be yielding highest satisfaction having WAS of 1.6491 and terms and conditions has been ranked at the lowest among the activities of slight satisfaction with WAS of 2.9474 complaints / problems are well entertained. And also for implication of informal source of microfinance out of 9 variables not a single variable has been ranked as the activity of high impact. Interestingly only 6 activities have been ranked as of slight impact with WAS of more the 2.05 till 2.8070 while rest 2 activities ranked as that of having no impact and 1 activity education level has moderate impact. In the above comparison the significance difference has been observer in the case of timings required for to access credit, suitable products availability, loan utilization like factors in informal microfinance.

Conclusion

This paper made an attempt to understand the effectiveness of unorganized microfinance in the Hisar (BARWALA) Haryana. No doubt, microfinance has been effectively contributing to significantly to their family development in terms of getting credit for housing repairs, education and marriage of their children and also for consumption purpose. The study found positive impact of microfinance towards development of society but still there is some obstacles in the success of the existing model of micro finance like credit time , product options , loan utilizations etc. The dissatisfaction from various service activities followed by banks such as requirement of collaterals, inconvenient procedural formalities, loan utilization checks and difficult repayment terms is also one of the major reasons for a significant proportion of the rural people to prefer informal sources of finance instead of the formal ones. They find an ease in getting finance from their personal contacts. This attitude needs to be changed. The informal organization should introduce some proactive strategies primarily aiming at spreading more awareness of the micro financing services available with the banks and encouraging the use of such services.

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MOBILE BANKING AND FINANCIAL INCLUSION IN INDIA

Atul Srivastava*

ABSTRACT

This paper attempts to look into the issues regarding mobile banking services and their possible contribution in financial inclusion in India. With the help of this paper author tries to focus those areas where banks can provide these mobile banking services. For a successful financial inclusion i.e. inclusive growth, in this era, combination of both the services i.e. banking as well as mobile is very much required. Mobile banking which can be termed as virtual banking can do wonders for the economy, because these days growth in economy is possible with the help of financial inclusion, and in current scenario, statistics reveals that it is very easy wit the help of mobile banking. M-banking in India, as assessed by the govt. can work as a potent tool for financial inclusion, is yet to clear many hurdles before it can fulfill its objective of reaching the unbanked population. In fact including rural subscribers in the banking net can help in inclusive growth, as it not very difficult to go for a mobile phone rather than going for a computer in rural areas. This service can do wonders if implemented effectively and sincerely. If any service is provided, there are always two sides, supply side and demand side. M-banking in India, as assessed by the govt. can work as a potent tool for financial inclusion, is yet to clear many hurdles before it can fulfill its objective of reaching the unbanked population.

Key Words: Mobile banking, Impact, Financial Inclusion

INTRODUCTION

Mobile banking has revolutionized the banking operations. Before the services of mobile banking were introduced it was perceived that if this facility is given to the customers then it will become problematic for banks to manage these services but thanks to I.T. services that this service has become very much popular. M-banking is a secure banking operation by which services of banks like banking, credit card loan, bill payment and pre-paid mobile recharge can be accessed from customers mobile phone anytime and anywhere. It is a revolutionary concept in the field of banking. In fact every field has seen some revolutions and because of those revolutions, that particular field as well as general public has been benefited. The same can happen with mobile banking, if taken in right context by general public. This service is available on 24*7 basis and the process of getting the transaction completed is 20-30 seconds. Although there are some security issues in the minds of the customers but this is because of their lack of awareness about this facility. All the messages originating from mobile banking applications are encrypted end to end using 128-bit AES encryption, i.e. Passwords are protected up to 128 words. So its security too cannot be challenged. In fact by seeing the advantages of mobile banking RBI too has increased the daily transaction limit of mobile banking from Rs. 5000 to Rs. 50000.This facility can be availed just at the press of a mobile's button. It offers a very wide variety of features to make banking convenient: Balance enquiry, Fund transfer, Bill payment, Last 5-transactions, Mobile top-up, Top-up of Tata sky, Big TV, Dish TV etc., Request for cheque book, Book Air / Train tickets .Mobile banking can also help banks and microfinance institutions in better credit management. It can work as a tool regarding the burning issue i.e. financial inclusion. It is being considered as the most cost effective way of doing transactions. Users of banking services i.e. customers were very much scared about internet banking initially but now all the apprehensions of customers have been warded off by the bankers. The same is going to happen with mobile banking. Just because of its popularity and volume of transactions done via mobile banking, government has removed the cap of transaction limit of Rs.50,000 per customer per day, but government has transferred the responsibility of risk management towards banks. Banks may place per transaction limits based on their own risk perception. According to the trend shown by mobile banking operations a research was conducted in Bareilly district.

- ***Objective of the study:***
- The paper attempts to explore the following:
- To assess the awareness level of consumers regarding features of mobile banking.
- To assess the impact of policy initiatives of RBI on consumers especially in Bareilly district.
- To measure the potential of rural market towards mobile phones, this can help in financial inclusion.
- To assess the feasibility of mobile banking in rural areas.

Literature review:

There are nearly 600 million mobile subscribers in the country but only half of that have got bank accounts. It is very easy to tap them.

In fact including rural subscribers in the banking net can help in inclusive growth, as it not very difficult to go for a mobile phone rather than going for a computer in rural areas

Because of this it has become an effective channel for conducting mass banking. A report submitted by price water house coopers (2011), shows that the total revenue expected from mobile banking is Rs 2600 crore by 2015. The

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report further states that M banking can help banks as well as MFIs to deliver and collect credit in a faster and cheaper way. The study concludes on the note that the Mobile banking is the cost effective way of doing banking transactions but his study is silent about perception of consumers as well as awareness towards mobile banking services. According to a study done by Telecom regulatory authority of India (2010) ,41% of the urban population and 60% of the rural population in India do not have access to bank accounts. In such a scenario mobile banking has emerged as an opportunity to bring vast population in the fold and increase financial inclusion. Mobile banking is prevalent through out the globe and here some models are being given which are already being adopted by different countries. Mobile banking can be regarded as financial innovation, as it reduces the cost of reaching out the poor. Financial Innovation can be regarded as a process which reduces costs, reduces risks, provides an improved product and the same is being done by mobile banking. Sridhar and Sridhar (2000) points out that with the improvement of ICT infrastructure, transaction costs decrease and output increases fro firms influencing various sectors of economy. This research recommends increased investment in infrastructure. In this scenario combination of banking services with ICT was a required thing which banks took into account and because of combination of these two services mobile banking took birth. M-banking in India, as assessed by the govt. can work as a potent tool for financial inclusion, is yet to clear many hurdles before it can fulfill its objective of reaching the unbanked population. M-PESA in Kenya included 50% of all the adults in nation towards mobile banking in less than 4 years.. How much fruitful it can be for our country, it is evident from the example of Kenya.

Model	Characteristics	Functionalities
Alternative banking model	(1) Banks use mobile phone as a mediator between bank and its customer. (2) Customer needs to register his mobile number with the bank.	Balance enquiry, alerts, funds transfer etc.
Virtual banking model	(1) Banks have no role to play. (2)The entire service is provided by Mobile Service providers by acting as a virtual bank. (3) Mobile service providers charge for these services on pre paid cards or post paid bills. (4) Mobile service providers use mobile balance too as virtual currency. (5)This model can help in financial inclusion too if this model is accepted by our central bank by doing proper amendment in Banking regulation act	For all the banking services
Bank on mobile model	(1) In this model it is proposed that mobile service providers should have a tie up with banks. (2) Currently in India two big tie-ups between Vodafone-ICICI Bank and Bharti Airtel-SBI are suitable examples of this model.	For all the banking services

Future of Mobile banking in India

This service can do wonders if implemented effectively and sincerely. If any service is provided, there are always two sides, supply side and demand side. M-banking in India, as assessed by the govt. can work as a potent tool for financial inclusion, is yet to clear many hurdles before it can fulfill its objective of reaching the unbanked population. M-banking in India, as assessed by the govt. can work as a potent tool for financial inclusion, is yet to clear many hurdles before it can fulfill its objective of reaching the unbanked population. M-PESA in Kenya included 50% of all the adults in nation towards mobile banking in less than 4 years.. How much fruitful it can be for our country, it is evident from the example of Kenya

Research methodology:

Research methodology used in this study was descriptive. This study has been done with the help of structured questionnaire. Responses were taken from them and then those responses were analyzed. This study was done in December month of 2011. A sample of 150 people was chosen in Bareilly zone. In this research the sample was a heterogeneous sample in which some urban and some rural people were asked some questions. This research was done with the help of a questionnaire. The research was done to check the awareness level of banking services consumers towards mobile banking. To analyze the findings chi- square analysis was used. First Phase of this study tries to measure the awareness of mobile banking services, and second phase of the study tries to evaluate possible contribution of mobile banking services towards inclusive growth. After analyzing primary data obtained here, various secondary data have been used to see the potential of mobile services in rural areas. This research has been done in two phases. In first phase i.e. with the help of Table-1 and 2, the awareness level of customers regarding mobile banking services has been analyzed and in second phase its possible contribution towards microfinance has been analyzed.

Findings and data analysis:

Findings relating to awareness about Mobile banking services in Bareilly district are shown in this Table

Table-(I)

Awareness Level about mobile banking services		
Awareness	**No. of respondents**	**Percentage**
High (Above 60)	93	62
Low (Below 60)	57	38
Total	150	100

Above table shows that out of total sample 62% were aware about mobile banking services whereas 38% respondents were not totally aware about mobile banking services. The sample was a heterogeneous sample in which some urban and some rural people were asked some questions. This research was done with the help of a questionnaire. A sample of 150 people was chosen this research. The research was done to check the awareness level of banking services consumers towards mobile banking. Out of this research it was concluded that there is a good level of awareness towards mobile banking services. With the help of the same questionnaire association between socio economic characteristics and awareness towards mobile banking services was measured. The association between independent variables, namely age, marital status, gender, qualification, education, occupation was examined, which is being shown below:

Table-(ii)

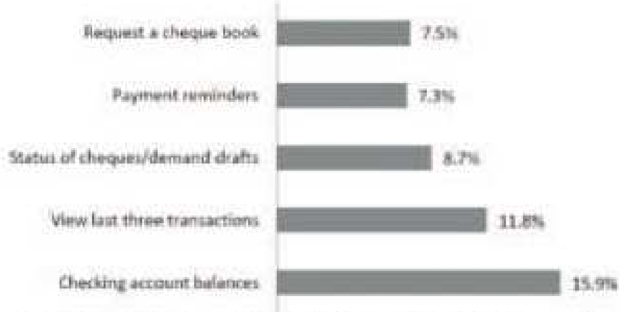
Socioeconomic Characteristics	Table Value	chi-square Value	Degree of freedom	Result
Age	5.991	1.276	2	Insignificant
Gender	3.841	1.089	1	Insignificant
Educational qualification	5.991	6.985	2	Significant
Family Income	5.99	13.441	2	Insignificant
Marital status	3.841	0.003	1	Insignificant
No. of earning members in the family	3.841	1.008	1	Insignificant
Occupation	11.07	1.786	4	Insignificant

Source: Primary data

From the above analysis it is clearly evident that there is a significant association between educational qualification and awareness of mobile banking services. In rural areas most of the people are illiterate; we need to make them aware about these services and security issues about these services.

Various reasons for resorting to Mobile banking services

It has been observed that people resort to mobile banking services for these reasons.



Source: www.telecomindiaonline.com/accesssed on10th April 2012

The above graphical representation depicts various reasons for using the mobile banking services. It is very much evident here that awareness regarding mobile banking services is lacking in these areas.

Table-(iii)

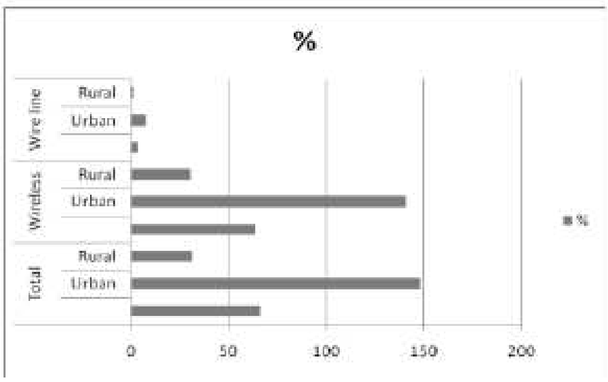
	Yes	No
time taken by banks regarding transactions	95.2%	4.8%
Proportion having any concern regarding mobile banking service	82%	18%
Awareness campaigns launched by banks time to time	70.3%	29.7%
Proportion of respondents who are from rural areas	41.3%	58.7%

Source: Primary data

Table-(iv)

Tele-density		%
Total		66.16
	Urban	147.88
	Rural	31.18
Wireless		63.22
	Urban	140.53
	Rural	30.11
Wire line		2.95
	Urban	7.35
	Rural	1.07

Source: www.telecomindiaonline.com / accessed on10th April 2012



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It is evident from the above chart that rural areas are having enough potential regarding wireless telephone market. If telecom service providers move towards rural market they will get enough business, and this can work as a boon regarding financial inclusion too.

Telecom Circles in India

SN	Telecom Circle Name	Circle Type
1	Delhi Metro Telecom Circle	Metro
2	Mumbai Metro Telecom Circle	Metro
3	Kolkata Metro Telecom Circle	Metro
4	Gujarat Telecom Circle	A
5	Karnataka Telecom Circle	A
6	Tamil Nadu Telecom Circle	A
7	Andhra Pradesh Telecom Circle	A
8	Maharashtra Telecom Circle	A
9	Haryana Telecom Circle	B
10	Punjab Telecom Circle	B
11	Kerala Telecom Circle	B
12	Rajasthan Telecom Circle	B
13	West Bengal Telecom Circle	B
14	Uttar Pradesh (West) Telecom Circle	B
15	Madhya Pradesh Telecom Circle	B
16	Uttar Pradesh (East) Telecom Circle	B
17	Bihar Telecom Circle	C
18	Northeast Telecom Circle	C
19	Assam Telecom Circle	C
20	Orissa Telecom Circle	C
21	Himachal Pradesh Telecom Circle	C
22	Jammu & Kashmir Telecom Circle	C

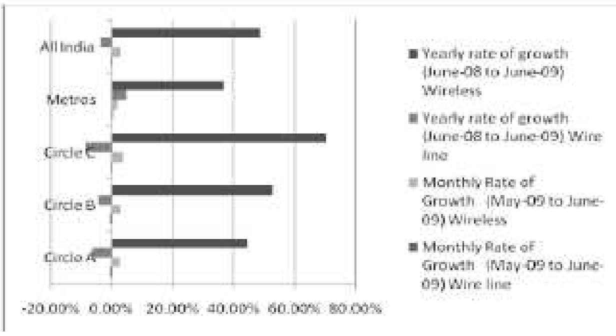
Source: www.telecomindiaonline.com / accessed on10th April 2012

Total 22 Telecom circles are present in India at present. Telecom Circles are divided into 4 groups: 'metro circles' and then 'A', 'B', and 'C' circles. The 'metro' circles cover very dense population centers in the very largest Indian cities: Delhi, Kolkata, and Mumbai. The 'A', 'B', and 'C' circles cover various geographic territories of varying population sizes. 'A' circles are the largest in terms of population coverage. 'C' circles contain the smallest population. The circles listed above are the officially recognized circles as stated by the India Department of Telecommunications. India telephone companies may or may not conform to this exact usage.

Table-(v)

Category-wise Growth Rate in Access Service

Category	Monthly Rate of Growth (May-09 to June-09)	Monthly Rate of Growth (May-09 to June-09)	Yearly Rate of Growth (June-08 to June-09)	Yearly Rate of Growth (June-08 to June-09)
	Wire line	**Wireless**	**Wire line**	**Wireless**
Circle A	-0.64%	2.7%	-6.6%	44.6%
Circle B	-0.49%	3.1%	-4.2%	52.6%
Circle C	-0.32%	3.9%	-8.3%	70.2%
Metros	0.43%	2.0%	5.0%	36.8%
All India	-0.32%	2.9%	-3.5%	48.9%



Source: www.telecomindiaonline.com / accessed on10th April 2012

It is clearly evident from the above graph that monthly growth rate in Circle-C cities is higher, so the focus of mobile services providers is this only. Now the need is to make them aware about these mobile banking services which can work like 'a dream come true' for govt. As the scheme M-PESA has done wonders in Kenya.

Conclusion

The model which Kenya has adopted i.e. M-PESA, should be adopted in our country too, and if not practically feasible in present circumstances then too, a model like it should be instituted which can help in inclusive growth too. It is possible provided, our BC/BF is made aware of it and they transcend this knowledge to rural people too. Most of the people are not aware about the mobile banking services. So people should be made aware about its key features, necessarily security features. Rural areas are having enough potential regarding wireless telephone market. If telecom service providers move towards rural market they will get enough business, and this can work as a boon regarding financial inclusion too. In rural areas most of the people are illiterate; it is required to make them aware about these services and security issues about these services.

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EMPLOYEE SATISFACTION TOWARDS ORGANIZATIONAL LEARNING IN MANUFACTURING AND IT SECTOR

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ABSTRACT

The Organizational learning is a concept that is becoming an increasingly widespread philosophy in modern companies, from the domestic to multinationals. Organizational learning has become increasingly important as a sustainable competitive advantageous strategy for the survival of organizations in present fast changing environment. Human resources have become the most important factor of production in the recent years. Organizational learning help people change and grow. In this study Organizational Learning was studied in the manufacturing and information technology sectors in the Indian and multinational companies operating in India . In both the sectors, Organizational learning was higher (with higher learning score and lower learning dissatisfaction score) in multinational companies operating in India as compared to their Indian Counterparts. The Study has implications for enhancing organizational learning in the Indian organizations.

Key words: *Organizational Learning, Satisfaction, Multinational*

INTRODUCTION

The relative importance of the factors of production has been changed in the era of information technology. Earlier, the three main factors of production were land, labor and capital. Labour includes skilled and unskilled workers both. But in recent years, however, intellectual labor has become by far the most important factor of production. Some authors have argued that people are the core assets of organizations. In an ever changing environment, it is very difficult to predict the future in the backdrop of continuous technological changes; Organizational Learning (OL) has emerged as the intellectual capital of organizations. It has manifested itself as one of the main sources of competitive advantage for organizations. Organizational learning depends on a number of organizational conditions such as climate, structure, methods of innovation and so forth. Many authors have opined that learning is the only sustainable competitive advantage, since we cannot copy the learning process. It creates an organizational ability to respond quickly to the internal and external changes. Rapid technological changes demand a flexible and multi skilled workforce. It has become essential for the individuals at all levels of organizational hierarchy to learn new and different ways of reacting to competitive pressures. In the last decades a lot of researchers have concentrated on processes of leaning within firms. A learning organization does not rely on passive or ad hoc process in the hope that organizational learning will take place through serendipity or as a by-product of normal work. A learning organization actively promotes, facilitates, and rewards collective learning. Creating (or acquiring) knowledge can be an individual or group activity. However, this is normally a small-scale, isolated activity steeped in the jargon and methods of knowledge workers. As first stated by Lucilius in the 1st century BC, **"Knowledge is not knowledge until someone else knows that one knows."** Capturing individual learning is the first step to making it useful to an organization. There are many methods for capturing knowledge and experience, such as publications, activity reports, lessons learned, interviews, and presentations. Capturing includes organizing knowledge in ways that people can find it; multiple structures facilitate searches regardless of the user's perspective (e.g., who, what, when, where, why, and how). Capturing also includes storage in repositories, databases, or libraries to ensure that the knowledge will be available when and as needed.

Need For the study

In a developing country like India, learning process is more difficult due to complex business environment in terms of economic, political and social aspects. With the advent of globalization and the resulting political and economical complexities, Firms in the developing countries are going through battles of survival. The economic liberalization and competition with foreign organizations operating in India have put a lot of pressure on the HR functioning of the Indian organizations to prepare and develop their human resources. The Indian organizations have upgraded their technology and are competing with the global and multinational organizations. They have a compelling need to transform a highly diverse workforce in learned, motivated, effective and efficient employees. They are trying to get organized around learning for continuous cultivation and deployment of knowledge. The foreign operators in India are known to have highly skilled human resources and are more efficient and effective then there Indian counterparts thus the challenge is more acute for firms in India. Therefore a comparative study of the learning and learning dissatisfaction in the Indian and foreign based organization need to be conducted.

The Sample

The study was conducted in the manufacturing and information technology sectors. Two automobile manufacturing industries (M-1 and M-2) Selected for the study are located in the geographical region of Pune. M-1 is an Indian automobile manufacturing industry with a major presence in India. M – 2 is a Japan based automobile manufacturing industry with its plant in India . Two industries

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IT-1 and d IT-2 were selected for study in the IT Sector. IT-1 is an Indian Software Firm operating in Gurgaon . IT -2 is a UK Based IT services and business process company operating in Bangalore. Stratified random sampling was adopted with stratification based on the functional areas. While the respondents in the manufacturing sector were pre dominantly man , women constituted around 32% of the sample drawn from the IT Sector . The response rate was 89%. A structured questionnaire was used with 7 point likert scale.

Dimensions used:

With the help of earlier literature some dimensions of learning were selected and used to collect the data for the study. It is based on 11 dimensions of learning.

1- Learning approach to strategy
2- Participated policy making
3- Informative
4- Formative accounting and control
5- Internal exchange
6- Reward Flexibility
7- Enabling Structure
8- Boundary Workers as environmental scanners
9- Intercompany Learning
10- Learning Climate
11- Self Development Opportunities

Each dimension is measured in two scores

a) Learning scores "As it is" (LSA) which describe the present situation in the organization b) learning score, "As you would like it to be" (LSB) which describes the employees expectations about the learning situations in the organizations. The difference between LSB and LSA scores for each dimensions gives learning dissatisfaction scores (LDS). The sum of the scores for the eleven learning dimensions for LSA, LSB and LSD yields the total LSA, total LSB and total LDS respectively.

HYPOTHESES

H1: Total LSA and its dimensions will not differ between Indian and multinational organizations in the manufacturing sectors.

H2: Total LSA and its dimensions will not differ between Indian and multinational organizations in the IT sectors.

H3: Total LDS and its dimensions will not differ between Indian and multinational organizations in the manufacturing sectors.

H4: Total LDS and its dimensions will not differ between Indian and multinational organizations in the IT sectors.

Analysis and results

A t- Test was conducted for (i) each dimension of LSA and the total LSA (ii) each dimension of LSD and the total LSD for finding out significant differences between the Indian and multinational organizations in the (a) manufacturing (b) IT sector .

Table 1: LSA in Manufacturing Sector

LSA Variables	M1-Indian (N=98)		M2-MNC (N=95)		t value*
	Mean	SD	Mean	SD	
Total LSA	221.41	54.42	276.43	35.68	-9.12
Learning approach to strategy	19.18	5.05	26.78	3.231	-08.15
Participative policy making	17.89	5.70	25.98	2.65	-9.87
Informative	21.78	4.67	25.75	3.2	-04.69
Formative accounting and control	20.65	5.89	26.76	3.23	-06.32
Internal exchange	20.03	4.76	26.17	3.56	-07.84
Reward flexibility	18.15	4.65	25.72	3.34	-9.14
Enabling Structures	18.79	5.93	25.87	3.02	-08.15
Boundary workers as environmental scanners	21.76	4.96	25.51	2.78	-05.31
Intercompany learning	16.89	4.83	25.31	3.12	-11.13
Learning climate	20.07	4.79	25.93	3.01	-07.16
Self development opportunity for all	21.15	4.65	25.87	2.76	-05.83
*Significant at P< 0.05, P<0.01					

Table no. 1 shows LSA in manufacturing sector. Total LSA having a t value-9.12, Learning approach to strategy having a t value-08.15, Participative policy making having a t value-9.87, Informative having a t value-04.69, Formative accounting and control having a t value-06.32, Internal exchange having a t value -07.84, Reward flexibility having a t value -9.14, Enabling Structures having a t value-08.15, Boundary workers as environmental having a t value-05.31, Intercompany learning having a t value-11.13, Learning climate having a t value-07.16, Self development opportunity for all having a t value-05.83.

Table 2: LSA in IT Sector

LSA Variables	IT-1 (Indian) (N=98)		IT-2 (MNC) (N=95)		t value*
	Mean	SD	Mean	SD	
Total LSA	174.66	60.98	280.87	47.23	-10.23
Learning approach to strategy	14.12	5.98	25.13	5.09	-09.34
Participative policy making	15.67	5.78	24.12	5.02	-08.72
Informative	14.89	5.12	25.98	4.98	-10.0
Formative accounting and control	15.78	5.13	26.01	4.21	-10.23
Internal exchange	16.88	5.87	25.78	4.01	-09.12
Reward flexibility	16.79	4.87	25.88	5.93	-07.89
Enabling Structures	15.67	4.23	24.87	5.87	-11.12
Boundary workers as environmental scanners	15.75	5.13	21.02	5.91	-09.23

ntercompany earning	14.78	5.90	23.08	4.12	-06.15
Learning climate	15.05	5.15	23.90	5.81	-08.02
Self development opportunity for all	15.08	5.01	25.77	5.23	-9.89
*Significant at P< 0.05, P<0.01					

Table no. 2 shows LSA in IT sector. Total LSA having a t value-10.23,Learning approach to strategy having a t value-09.34, Participative policy making having a t value-08.72 Informative having a t value--10.0, Formative accounting and control having a t value--10.23, Internal exchange having a t value - 07.84, Reward flexibility having a t value -07.89,Enabling Structures having a t value- 11.12, Boundary workers as environmental having a t value-09.23, Intercompany learning having a t value-06.15, Learning climate having a t value-08.02, Self development opportunity for all having a t value-9.89.

Table 3: LDS in Manufacturing Sector

LSA Variables	M1-Indian (N=98)		M2-MNC (N=95)		t value*
	Mean	SD	Mean	SD	
Total LSA	110.87	52.21	34.23	28.98	11.02
Learning approach to strategy	8.76	5.40	3.89	3.12	8.34
Participative policy making	17.89	5.70	25.98	2.65	-9.87
Informative	7.83	5.98	3.31	3.15	7.90
Formative accounting and control	8.24	6.10	4.78	3.11	8.31
Internal exchange	9.88	6.78	4.23	3.14	9.88
Reward flexibility	10.23	6.14	3.90	3.27	11.90
Enabling Structures	10.15	5.78	3.12	2.89	9.93
Boundary workers as environmental scanners	8.20	5.90	3.01	2.01	8.21
Intercompany learning	9.21	5.81	4.09	3.88	9.05
Learning climate	7.12	6.12	4.5	3.06	6.12
Self development opportunity for all	8.02	6.98	5.1	2.90	8.7
*Significant at P< 0.05, P<0.01					

Table no. 3 shows LDS in manufacturing sector. Total LSA having a t value 11.02, Learning approach to strategy having a t value 8.34, Participative policy making having a t value 9.98, Informative having a t value 7.90, Formative accounting and control having a t value 8.31, Internal exchange having a t value 9.88, Reward flexibility having a t value 11.90, Enabling Structures having a t value 9.93, Boundary workers as environmental having a t value 8.21, Intercompany learning having a t value 9.05, Learning climate having a t value 6.12, Self development opportunity for all having a t value 8.7.

Table 4: LDS in IT Sector

LSA Variables	IT-1 (Indian) (N=98)		IT-2 (MNC) (N=95)		t value*
	Mean	SD	Mean	SD	
Total LSA	87.81	34.91	63.86	33.23	3.94
Learning approach to strategy	8.91	4.09	4.9	4.31	3.31
Participative policy making	8.12	4.13	5.5	4.11	3.13
Informative	9.24	4.89	5.89	4.98	4.7
Formative accounting and control	9.91	3.76	5.76	3.88	4.3
Internal exchange	9.76	3.23	4.23	4.78	3.84
Reward flexibility	9.03	3.12	4.15	4.93	2.98
Enabling Structures	7.08	4.88	5.91	4.19	4.33
Boundary workers as environmental scanners	8.28	4.01	5.12	3.98	3.97
Intercompany learning	8.10	4.05	4.11	3.17	2.12
Learning climate	8.86	3.23	4.09	3.12	2.98
Self development opportunity for all	8.05	3.88	4.89	3.08	4.31
*Significant at P< 0.05, P<0.01					

Table no. 4 shows LDS in IT sector. Total LSA having a t value 3.94, Learning approach to strategy having a t value 3.31, Participative policy making having a t value 3.13, Informative having a t value 4.7, Formative accounting and control having a t value 4.3, Internal exchange having a t value 3.84, Reward flexibility having a t value 2.98, Enabling Structures having a t value 4.33, Boundary workers as environmental having a t value 3.97, Intercompany learning having a t value 2.12, Learning climate having a t value 2.98, Self development opportunity for all having a t value 4.31.

The major findings can be summarized as follows:

1-As shown in the Table 1, there are statistical significant differences between M -1 and M – 2 for all the LSA variables . Therefore the hypotheses H1 is rejected.

2- As shown in the Table 2, there are statistical significant differences between IT -1 and IT – 2 for all the LSA variables. Therefore the hypotheses H2 is rejected.

3- As shown in the Table 3, there are statistical significant differences between M -1 and M – 2 for all the LDS variables . Therefore the hypotheses H3 is rejected.

4- As shown in the Table 4, there are statistical significant differences between IT -1 and IT – 2 for all the LDS variables. Therefore the hypothesis H4 is rejected.

CONCLUSION

The study concludes that foreign based organizations operating in India have a better learning than the Indian organizations. A foreign organization operating in India has better skilled more efficient and more effective human resources. The finding is therefore logical to understand. Higher the learning lower is the learning dissatisfaction. This explains why learning dissatisfaction is more in Indian organizations then foreign organizations. In the present business scenario of liberalization Indian Organizations are competing with multinational companies on the home front they are also trying to expand their operations at global level for their survival and growth. India has tremendous human resources but the learning environment in domestic companies is not conducive so, the environment must be made more conducive for learning and growth.

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MULTIPLE ENDORSEMENTS: AN OVERVIEW

Meenal P. Dhotre* **Sarang S. Bhola****

ABSTRACT

Celebrity endorsement is widely used advertising technique across the globe. It has its own merits and demerits. A trend of multiple endorsements i.e. same celebrity endorsing many products is on a rise and especially in Indian advertising world, it is more predominant. Authors have studied various opinions and views about the multiple endorsements by reviewing the literature available on this concept. After reviewing the literature on the aforesaid concept, authors found that most of the researchers are not in favor of multiple product endorsements by the same celebrity as it dilutes the impact and there is a loss of exclusivity of the celebrity with a particular brand. However, some researchers have mentioned that multiple endorsements will be inevitable and through creativity, ill effects of it can be managed.

Keywords: Brand Recall, Celebrity, Celebrity Endorsements, Multiple Endorsements, Vampirism

INTRODUCTION

Celebrity Endorsement is a quiet established concept and has become a common practice in Indian advertising industry. Companies are spending huge amounts to sign up the popular celebrities to endorse their products. They try to design their marketing mix in such a manner that it will have a positive impact on the present and prospective customers. To support this activity, many companies use 'celebrity endorsers' as a part of their marketing communication strategy. Thus, a use of celebrity as a source of communication, perhaps effective communication has become a common phenomenon. Knowing the possible risks associated with the celebrity endorsements, many companies are still lured by the celebrity magic. They are literally crazy for associating their brands with the leading celebrities and do not mind in pouring money on them. They believe that top celebrities have greater visibility and popularity amongst masses. Companies can expect maximum benefits by such association. Obviously every brand wants to associate with the one or a few leading celebrities who are at the top in their respective professions. As a result there is a huge demand-supply gap between number of leading celebrities available and number of brands interested in associating with these celebrities. Therefore, same celebrity is seen endorsing several products at a time. This phenomenon is referred as 'multiple endorsements' or 'multiple product endorsements'. Many scholars have studied different aspects of celebrity endorsement concept in detail. They have commented on the several benefits the brands can enjoy from the celebrities association and also cautioned about the certain risks associated with it. One of the major risks with celebrity endorsement is the multiple endorsements by same celebrity which results in a dilution of impact of that celebrity. Advertisers are afraid of the dilution and customers' confusion due to the same celebrity appearing simultaneously in several advertisements for similar or altogether different product categories or sometimes even in the advertisements of competing products. Although many researchers have studied various dimensions of celebrity endorsements, research on multiple product endorsements has not received significant attention. Research by Tripp, Jensen and Carlson (1994) is considered to be the first serious attempt to understand the effects of multiple product endorsements by celebrities on consumers' attitudes and intentions. Similarly, there is a lack of rigorous research on 'effects of multiple endorsements'. However, it has been observed that most of the researchers are not in favor of multiple endorsements and they have criticized this practice. This review article presents a review of research work done by various scholars on 'multiple product endorsements'. It initially discusses the concept of celebrity endorsement, expected benefits to the advertisers' vis-à-vis potential risks from the celebrity endorsements, in a nutshell.

Celebrity Endorsement – A Backdrop

Reasons behind Using Celebrities

Advertisers are leveraging celebrity appeal for quite a long time. They expect several benefits from the celebrity association. Instant appeal, transfer of personality traits to the brands, ability to lend credibility, trust and adding value to the brands, are some of the reasons why advertisers are in favor of the celebrity endorsements. They try to capture celebrities' presence in all possible manner to en-cash their popularity. Advertisers who invest heavily in celebrity endorsements believe that people always have some attraction and interest in 'Rich and Famous'. Effective celebrity advertising can do wonders for the brand as celebrities are not only recognized but also appreciated and liked by the masses.

Concept and Definition of Celebrity Advertising

Advertising is all about creativity. It is about reaching to the target audience and meeting intended objectives of the advertisers. Therefore, there is no fixed or one right way to do advertising. To make the advertising more creative and appealing, different strategies are used. Use of celebrity endorser is one of them. As an endorser, advertisers prefer those 'celebrities' which the majority of people admire or respect. The endorser can be even someone who is 'just like us', who can be even a 'satisfied customer' who speaks on behalf of the product and also shares his experience with the advertised product to build credibility. There is no legal or universally accepted definition of 'celebrity'. Different people perceive 'celebrity' in a different manner. According to Webster's dictionary, celebrity is a 'state or quality of being

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famous or much publicized person'. Some of the definitions of 'celebrity' and 'celebrity endorser' are - Friedman and Friedman (1979) refer to celebrities as individuals who are known to the public (including actors, sports figures, and entertainers) for their achievements in areas other than that of the product class endorsed. Kamins et al (1989) define celebrities as the individuals those are known to the public as an actor, sports figure or entertainer for his or her achievements in areas other than that of the product class endorsed. McCracken (1989); Silvera and Austad (2004), celebrities are people who enjoy public recognition and who often have distinctive attributes such as attractiveness and trustworthiness. Rojek (2001), celebrities are not only, through outstanding achievements or by some creation of cultural intermediaries, persons who are known because of their well-knownness, but they are also in a position to impact public consciousness.

Benefits of the Celebrity Endorsements

Advertisers are motivated to use endorsers in order to affect the symbolic attributes associated with the product. They can raise the price if there is a favorable perception of symbolic attributes amongst the consumers and thus marketers can earn a higher mark-up for their products. In India, celebrity endorsements are believed to be particularly useful as the average consumers reportedly identify more strongly with celebrities than in any other countries.

While studying the concept and rational behind increasing trend of celebrity endorsements across a globe, researchers explore several dimensions of this concept. They summarize that celebrity endorsements are worthwhile investments in advertising considering the several benefits from this technique. Many researchers conclude that celebrities are best in drawing immediate consumer attention, generating high recall rates and creating and differentiating product images while generating sales and profits. Celebrity endorsements can help advertisers in the different situations for their products at different stages. The major benefits which are discussed by various researchers are listed below:

1. Breaking Clutter and Creating Awareness
2. Instant and Better Recall
3. Establishing Credibility and Aspiring Public Relations Leverage
4. Rub-off Effect
5. Meaning Transfer
6. Means of Product Differentiation
7. Help in Commodity Branding
8. Speed up 'Introduction' Stage of New Products and New Entrants in the Market
9. Defining, Refreshing, Reviving/ Mitigating Tarnished Brand Image

Risks Associated with Celebrity Endorsements

Celebrity endorsements have some in-built risks. Celebrity endorsements can be extremely expensive not only in terms of actual monetary losses but also in terms of intangibles such as negative effect of celebrity on the brand image. The potential intangible risks also include a celebrity being involved in a controversy, the celebrity being overexposed through too many endorsement contracts, drop or loss of popularity or a change in the celebrity's image, etc. Researchers like Friedman and Friedman (1979), Ohanian (1991), Tripp et al, (1994) and Solomon (2002) who studied celebrity endorsements, its effectiveness and possible impact on the audience, have also warned the advertisers about the possible risks associated with the celebrity endorsements. Though, most research findings support the effectiveness of celebrity endorsement, the risks related to celebrities' negative information, multiple product endorsement and celebrity overshadow effect, etc. are also addressed by many researchers. Some serious issues and risks discussed by the researchers related to celebrity endorsements are listed below:

1. Celebrity's popularity and brand's shelf life
2. Personal life of celebrity and its effect on brand as well as society
3. Poor / dropping performance, inconsistency in the profession of the celebrities in the field
4. Effectiveness and actual purchase lead due to the celebrity advertisements
5. Social impact of celebrity advertisements Celebrity addiction
6. Celebrity – Brand personality mismatch
7. Vampirism effect - celebrity overshadowness
8. Multiple product endorsements

Multiple Product Endorsements

Celebrity endorsement can be classified according to the number of products endorsed i.e. single product vs. multiple products. Single product endorsement refers to an endorsement by a celebrity for only one product or one brand. According to Tripp, et al (1994), single product endorsement constitutes distinctive actions since the celebrity endorses one brand and not other brands or products. Since a long, celebrities are likely to endorse more than one product; therefore single product endorsement is rare. Amongst the concerns shared by researchers and advertising practitioners, multiple product endorsements by the same celebrity have been a major issue. Today, celebrities are seen endorsing any damn product to highly sophisticated product of small or big company. The novelty of a celebrity gets diluted if he appears in too many advertisements. This has led to 'commoditization' of celebrities who are willing to endorse anything for big bucks. These overused celebrities have a danger of diffusion association. Celebrities endorsing many brands create confusion in customers' mind. As a result, not all brands get expected benefits from the celebrity association.

Reasons behind Multiple Endorsements

Companies from diverse fields insist on having top-most popular celebrities for their brands as they are eager to en-cash the popularity of leading film stars and sports personalities. Therefore, there is a race amongst the advertisers to trap the popular celebrity. This leads to multiple endorsements by same celebrity. Not all advertisers have deep pockets to afford the high price tag that comes along with exclusivity. With top celebrities endorsing several brands it becomes almost impossible for any company to get a celebrity exclusively for itself. Due to a huge gap between number of brands waiting for the celebrity association and availability of top celebrities, multiple product endorsement seems become obvious. Tripp et al (1994) refer to it as 'shared celebrities' who are used by different advertisers for promoting more than one brand. Sloan and Freeman (1988), Elliott (1991) also refer this phenomenon by calling it as 'shared stars'. Issue of multiple endorsements is not that serious in western countries as compared to India. In western countries, companies have a wider choice of celebrities. They are from variety of fields and yet having mass appeal and thus can be used for different segments or product categories. Common example is Tiger Woods. Though Tiger Woods is undoubtedly a 'Nike's Face', he was also simultaneously endorsing many other brands such as Buick, Gatorade, Gillete, Tag Heuer, American Express and Accenture. Advertisers can choose a celebrity from a list that contains actors, sports personalities, models, musicians, authors, comedians, business personalities, religious leaders, politicians, chefs, reporters, directors/producers, etc. Multiple endorsements are widely practiced in Asian countries. Japan and Korea are known for their strong affinity towards using celebrity endorsers (Choi et al 2005; Praet 2002). Approximately a quarter of Japanese and Korean celebrities appeared in the commercials for more than one product. Each celebrity is associated with approximately two to six products within or across categories in Japan and two to five in Korea. In India, advertisers have relatively a small set of potential endorsers having mass appeal. They are largely from the world of film and cricket. As a result, the same celebrities are seen in many advertisements. Film legendary Amitabh Bachchan, Shah Rukh Khan and top cricket players like Sachin Tendulkar and M.S.Dhoni rule the endorsements world in India. They have so far endorsed several brands and they are still on the wish list of many advertisers. While studying the reasons behind multiple endorsements, it is also observed that due to fat endorsement contracts, when a celebrity is in demand, he is likely to be tempted to endorse more than one brand for more financial gains. During the Cricket World Cup in 2011 and after a grand success of Indian Cricket Team in the tournament, almost all Indian Cricket players are seen endorsing several products. Obviously star performers like Sachin Tendulkar, Captain M.S. Dhoni, Yuvraj Singh were seen endorsing many brands after Cricket World Cup 2011. Following table presents an indicative list of brands endorsed by these four top celebrities.

Sr.No	M.S. Dhoni	Sachin Tendulkar	Shah Rukh Khan	Amitabh Bachchan
1.	Aircel	Jaypee Cement	Pepsodent	Binani Cement
2.	Micromax	Toshiba	Nokia	Zen Mobile
3.	Orient Fans	Castrol	Fair & Handsome	Cadbury's Dairy Milk
4.	Reebok	adidas	Videocon	Tanishq
5.	Big Bazaar	Amit Enterprises	Airtel	ICICI
6.	Lay's	Canon	Compaq	Himani Navratna Oil
7.	Titan Sonata	Boost	Dish TV	Dabur Chyawanprash
8.	Dabur Honey	Sunfeast	Lux	Reid & Taylor
9.	TVS	Airtel	Tag Heuer	Parker
10.	Videocon	Pepsi	Sunfeast	Pepsi

It is clear from this list that they endorse variety of products simultaneously. Therefore, it is very confusing for the audience to relate that celebrity with a particular brand. As a result there can be wrong or no recall for the few brands endorsed by that celebrity. Thus, multiple endorsements create confusion, clutter amongst the audience as well as dilution of celebrity impact.

Halve (2005) feels that there are some specific issues with using a celebrity endorser in India. Exclusive celebrity endorses a single brand or stays with that brand for a long and does not associate himself with any other similar or dissimilar product categories. However, having such exclusive endorser is not affordable to many advertisers.

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Hence they have to compromise with overused or shared celebrity. Mowen and Brown (2001) call such exclusive endorsers as 'virgin endorsers'. They also opine that such virgin endorsers are highly expensive and also pose a practical question whether the endorsement of multiple products indeed tarnish a celebrity's effectiveness.

Issues with Multiple Endorsements:

Top celebrities appear in several advertisements. This leads to overexposure of that celebrity, lack of exclusivity, a fair degree of confusion and little room for credibility and hence a possible devaluation amongst the customers. There is a celebrity clutter due to that. Information overload caused due to excessive use of the same or different stars across the same or different products can also lead to confusion among the consumers. Celebrity endorsing multiple products leaves the customers confused and leads to dilution in celebrities' value. Multiple product endorsement also has a negative impact on customers' purchasing intentions. Research by Tripp, Jensen and Carlson (1994) attempted to investigate the effects of multiple product endorsement by celebrities on customers' attitudes and intentions. Their research study is considered to be the first serious attempt to understand the effects of multiple product endorsements. Tripp et al (1994) find that the number of products one celebrity endorses negatively influences consumer perception of the endorser and the advertising itself. It is suggested that when as many as four products are endorsed, celebrity credibility and likeability, as well as attitude towards the advertisement, may lessen. In India, advertisers have a relatively small set of potential endorsers who have mass appeal. They are mostly from the world of film and cricket. One finds the same celebrity endorsing soft drinks (which are not good for health) and also promoting for social causes at the same time and thus can mislead public. This weakens the standing and credibility of a celebrity. Therefore, advertisers should take care while selecting the endorser whose image is not tarnished by the association with other products. Another reason why the celebrity impact is diluted is due to the potential mismatch between the celebrity personality and brand personalities that he is endorsing. It is difficult to see what specific personality traits the celebrity is contributing to each brand he is endorsing. In case of Film stars, this problem is made even more complicated because in their films, they themselves portray every possible personality trait. Therefore, which personality traits do consumers associate with a particular film star is a real problem? For example, Shah Rukh Khan portrayed different personalities in his films such as- Impulsive, fun-loving in some films and intense, virtuous in some films or even in negative roles such as obsessed, dark in films like Darr or Anjaam, and again romantic, vulnerable in Devdas. So what traits one would associate with him? Till 1990's, it was not a serious problem as number of celebrity advertisements were limited. Whenever people used to think of Kapil Dev, they could quickly recall "Palmolive da jawaab nahin" or "Boost is the secret of my energy…our engery". Sunil Gavaskar had a strong association with Dinesh Suiting in consumers' mind. However, due to the media clutter and overused celebrities, it is difficult for the consumers to associate particular brand with particular celebrity. Existing and new categories are getting crowded. All brands across categories are competing for a space in the consumer's mind. For example, recently Mayur Suiting was endorsed by Salman Khan, Virendra Sehwag and Shah Rukh Khan in a span of hardly 2-3 years; therefore customers are unable to recall the association of Mayur Suiting with a particular celebrity. On the contrary, there is still a strong recall for Sunil Gavaskar and Dinesh Suiting even after 3 decades. Researchers point out that multiple endorsements affect the endorser's credibility. The endorsement of as many as four products negatively influences the celebrity's credibility, trustworthiness and likeability. It can happen due to lack of distinctiveness with one famous person enduring several products instead of concentrating on and representing one specific brand. Several researchers have addressed the issue of multiple endorsements and their possible impact on the buyers. Researchers such as Mowen and Brown (1981), Tripp (1990), Tripp, Jensen, and Carlson (1994), etc. opine that multiple endorsements might have negative effects on celebrities themselves as well as advertising and brand evaluation, and also the purchase intentions. Many researchers are against the multiple endorsements practice as they believe that due to that celebrities are overused, their exposure gets diluted and loses exclusivity. They also opine that the endorsement is not effective when celebrity endorses too many products. Overexposure leads to loss of exclusivity and hence credibility. It does not help capture attention of the target audience. At least not all brands endorsed by that celebrity gets the expected benefits.

CONCLUSION

One of the major benefits of celebrity endorsements is that it provides a means of differentiation and the opportunity to create a distinct personality for a brand or product. When same celebrity endorses several products, the vary purpose of using this technique is defeated as multiple product endorsements lack distinctiveness. Due to the dilution of the impact of celebrity on the audience, not all brands endorsed by same celebrity enjoy the benefits. Consumers tend to recall only a few brands endorsed by the celebrity. They tend to remember only those brands which are strong in themselves i.e. even without celebrity association, they are known amongst the consumers due to the better quality or some other aspects. Even when consumers find a perfect match between the brand personality and celebrity personality, they can easily connect with that celebrity advertisement and tend to remember that brand. In case of multiple endorsements, not all products personalities really match with the celebrity personality, so there may not be recall for those brands. It is more fatal if there is wrong brand recall due to the multiple endorsements. Thus, the huge amount spent on endorsements is not really a worthwhile investment for all brands associated with the same celebrity. Another serious concern is that multiple endorsements affect the endorser creditability as people know that a celebrity is paid to sell the product when he endorses many similar/ different products simultaneously. Thus, the credibility especially trustworthiness of that celebrity is blurred. Though celebrity endorsements offer several benefits, there is no guarantee that every time it will work and will offer all expected benefits to the advertisers. When there is uncertainty about the effectiveness of celebrity endorsement itself, whether the use of multiple endorsements is justified? Researchers and practitioners are yet trying to get the satisfactory solution to this issue. Though ideally exclusive contract with the celebrity i.e. single product endorsements is highly beneficial and recommended, practically it is not possible due to the high price of that exclusivity. Another genuine difficulty is availability of celebrities who can do wonders for the brands (at least advertisers believe so). Perhaps in India, using different types of celebrities i.e. celebrities from diverse fields instead of relying too much on only film stars and cricket players, is one way out. Due to the availability of more number of celebrities, multiple endorsements can be reduced to some extent. Another way to minimize the negative effect of multiple endorsements is to enhance the creativity of the celebrity advertisements. According to Indian advertising guru R. Balkrishnan, consumers are not tired or confused about the same star endorsing various products, if each advertisement using same celebrity has a differentiated story. According to him, one should not really worry even though the same celebrity is endorsing multiple products if the advertisements are different and creative. However, whether mere creative advertisements will help in minimizing the ill effects of multiple endorsements is a debatable issue. Finally, a word of caution to the advertisers that they should not let the celebrities overshadow the brand(s) they are endorsing. Research by Tripp, et al states that as the celebrity remains the constant in the multiple endorsements, his endorsements are generalized across products and due to this consumers may perceive that the nature of the celebrity is the reason for the endorsement and no the nature of the product being endorsed. Thus, in the multiple endorsements, focus remains on the 'celebrity' and not the 'product'. Celebrity overpowers or overshadows the brand and as a result consumers tend to recall only celebrity appearing in the advertisement and not the product. In this situation, advertisers do not gain anything out of this celebrity association as the 'brand - the real hero' takes the backseat.

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PERSPECTIVE PROGRESS & TRENDS OF BANKING SYSTEM

Shashank Dublish* **Ajay Singh****

ABSTRACT

Domestic banks continued to manage growth with resilience during 2010-11 with ample reserves of capital and liquidity, improved performance in profitability and asset quality. With high growth potential of the Indian economy and favorable demographics, banks have immense opportunities to further expand their business both with traditional and innovative products and through financial inclusion using technology enabled sustainable business models. However, the prevailing interest rate environment and slowing growth in the near-term amidst somewhat skewed exposures to interest sensitive sectors will require adept management of such exposures going forward. Further, it will be challenging for banks to raise additional capital and liquidity to support higher growth and to comply with Basel III stipulations. This paper is an attempt to highlight all the aspects aimed at mitigating risks, diversifying revenue sources, containing asset-liability mismatches, providing effective response to changing global market environment and improving customer relationships should strengthen the overall growth of the banking sector in the medium term.

Key Words: *Innovative instruments, Risk, NPA, Liquidity*

INTRODUCTION

The banking sector in India emerged largely unscathed from the global financial crisis of 2007-08, but faced a slowdown in the momentum of growth due to the weakening of trade, finance and confidence channels. However, post crisis, the economic growth in most emerging market economies (EMEs) including India recovered, while growth remains anemic in advanced economies. Instability of sovereign debt markets in the Euro zone, political turmoil in the Middle East and North African (MENA) region, calamities in Japan, sovereign debt downgrade of the United States in August this year and the persistently elevated levels of commodity prices have together led to an accentuation of downside risks to global growth. While these risks are expected to recede gradually over time, the long-term sustainability of higher growth in India will depend crucially on the ability of the banking sector to mobilize the savings and meet the credit needs of the growing economy through innovative financial instruments and services that foster financial inclusion and provide efficient and transparent delivery of credit. Despite the challenging headwinds from domestic and international developments, the performance of Indian banks remained robust during 2010-11. The resilience of the banking sector was marked by improvement in the capital base, asset quality and profitability. The profitability of scheduled commercial banks (SCBs) improved both in terms of return on assets (RoA) and return on equity (RoE). Simultaneously, both gross and net NPA ratios declined in comparison with the previous year. Since the Indian financial system is bank dominated, banks' ability to withstand stress is critical to overall financial stability. A series of stress tests conducted by the Reserve Bank in respect of credit, liquidity and interest rate risks showed that banks remained reasonably resilient. However, under extreme shocks, some banks could face moderate liquidity problems and their profitability could be affected.

Forces Shaping the Environment

Are Indian banks adequately prepared for migration to Basel III regime?

Commercial banks in India have already adopted standardized approaches under Basel. It is time for larger banks to seriously consider upgrading their systems and migrating to advanced approaches. Adoption of advanced approaches requires simultaneous use of the underlying processes in the day-to-day risk management of banks. In the background of the recent global regulatory developments, a question often discussed is whether the Indian banks are prepared for Basel III. The building blocks of Basel III are by now quite well known: higher and better quality capital; an internationally harmonized leverage ratio to constrain excessive risk taking; capital buffers which would be built up in good times so that they can be drawn down in times of stress; minimum global liquidity standards; and stronger standards for supervision, public disclosure and risk management. Quick assessments show that at the aggregate level Indian banks will not have any problem in adjusting to the new capital rules both in terms of quantum and quality. Indian banks are comfortably placed in terms of compliance with the new capital rules. One point to note though is that the comparative position is at the aggregate level; a few individual banks may fall short of the Basel III norms and will have to augment their capital. There will be challenges of upgrading risk management systems and meeting the credit needs of a rapidly growing economy even while adjusting to a more demanding regulatory regime. In addition to countercyclical capital buffers, Basel III also envisages countercyclical provisions. In India, banks have a stock of floating provisions which the Reserve Bank has not permitted to be used, except under a situation of systemic stress. While the floating provisions may serve the purpose of

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countercyclical provision, a framework is necessary for allowing its use. As an interim measure, the Reserve Bank has been trying to develop a methodology based on the Spanish dynamic provisioning system. This, however, has not been easy given the lack of required data and analytics with the banks. Migration to Basel III requires a high level of liquidity to be maintained through a pool of liquid assets. The definition of liquid assets is very stringent including the requirement that they should be freely available.

Are the Indian banks geared up for transition to the International Financial Reporting System (IFRS)?

Converging to global accounting standards, i.e., IFRS facilitates comparability between enterprises operating in different jurisdictions. Convergence would help to reduce both the cost of capital and cost of compliance for industry. Training, education and skill development are cornerstones of a successful IFRS implementation. All the stakeholders including investors, accountants, auditors, customers, software and hardware vendors, rating agencies, analysts, audit committees, actuaries, valuation experts and other specialists will need to develop an understanding of IFRS provisions to varying degrees and what they need to do. It is not only the accounting issues but how to address the non-accounting issues that will determine how successfully banks make a transition to IFRS. Additionally, banks will need to upgrade their infrastructure, including IT and human resources to face the complexities and challenges of IFRS. Some major technical issues arising for Indian banks during the convergence process are the differences between the IFRS and current regulatory guidelines, in particular, those within the ambit of International Accounting Standard (IAS) 39 replacement project relating to classification and measurement of financial assets and liabilities.

Interconnectedness in the banking sector and vulnerability of financial system

Post-crisis, macro-prudential policy has emerged as an important tool for addressing systemic risk, highlighting its time and the cross sectional dimensions. While the time dimension refers to pro-cyclical elements that give rise to the evolution of aggregate risk over time, the cross section dimension is concerned with distribution of risks which can be exacerbated owing to the interconnectedness in the financial system. Financial interconnectedness as a part of macro-financial surveillance is the key issue in discussions on prudential regulation policies as it can magnify idiosyncratic shocks across the financial system. To put in place an effective system of macro-prudential surveillance of the financial system, the Reserve Bank has started using network analysis techniques to model inter-bank exposures. The analysis revealed that the banking sector in India is deeply connected. Further, the contagion analysis made on the basis of network analysis underlined that interconnectedness in the banking sector gives rise to vulnerability of financial system in the event of failure of one or more banks depending on the degree of interaction. The contagion impact is relatively contained due to regulatory limits on interbank exposures. However, the impact may be more significant if other entities like other banks, NBFCs, and mutual funds are included for analysis.

Current and emerging environment offers sound business opportunities to the banks

The emerging economic environment provides a number of opportunities for the Indian banking sector. Factors like expected positive economic performance, strong savings growth spurred by the favorable demographic dividend, emphasis on expansion of physical infrastructure and the extent of financial exclusion to be bridged will ensure growth of the banking sector in medium term. To exploit emerging opportunities and to benefit from their strengths, Indian banks need to be globally competitive. From a strategic perspective, competitiveness can be achieved by balancing factors such as scale, scope, prudence and knowledge.

Strategic and Operational Responses Migration of financial conglomerates in India to holding company structure

At present, most of the financial groups in India are led by banks and organized under the Bank Subsidiary model. This model puts the onus on the parent bank for corporate governance, performance and capital requirement of subsidiaries. Besides, the parent carries very substantial reputational risk. The Working Group on 'Introduction of Holding Company structure in India for banks' has recommended migration of major financial conglomerates to the holding company structure to address these limitations to some extent. The main challenges in implementing the recommendations include, formulating a new law governing functioning of financial holding companies, providing right incentives to the existing financial conglomerates through appropriate tax treatment and resolution of strategic and public policy issues by the Government in the case of public sector banks.

Introducing innovative financial products as an efficient way to manage risks

Introducing innovative financial products is an efficient way to manage risks involved in the banking business. From this point of view, the decision to introduce credit default swaps (CDS) with effect from October 24, 2011 is a welcome development. However, given their complex nature, CDS shall be permitted on listed corporate bonds, unlisted but rated bonds of infrastructure companies and unlisted/ unrated bonds issued by the Special Purpose Vehicles (SPVs) set up by infrastructure companies as reference obligations, and the reference entities shall be single legal resident entities. The guidelines also require market participants to build robust and appropriate risk management systems. Newer skill sets for managing newer areas and unfamiliar elements of risks would continue to pose questions even to the most advanced banks. The implementation of innovative financial products requires diligent assessment of counterparty and related risks. Banks will have to adopt an approach to re-evaluate their risk management acumen in a manner that calls for higher levels of transparency, structural integrity and control. While expanding market is a matter of survival, a further challenge for the banks would be to ring-fence their operations by establishing a sound risk management system that is not only protective but also inclusive and acts as a business enabler.

Management of asset quality

While gross NPAs, in percentage terms, have declined steadily from 15.70 per cent at end March 1997 to 2.25 per cent at end March 2011, this does not fully reveal the underlying realities and some trends are a matter of concern, which could put pressure on asset quality of banks in future. Aggressive lending during the high credit growth phase followed by the crisis resulted in slippage with gross NPA ratio steadily rising from 1.81 per cent at end March 2008 to 2.21 per cent at end March 2010, followed by a slight moderation to 2.01 per cent in 2011. The concern is that the recoveries have not kept pace with slippages since 2007-08.

Rising interest rates and substantial amount of restructuring done during the crisis period, if not done with due care, are likely to put further pressure on asset quality of banks. Further, asset quality of banks needs to be closely watched in the changing interest rate environment as the sticky loan portfolio of small and medium enterprises might rise. Therefore, there is a need for banks to step up efforts to resolve their existing NPAs and tighten their credit risk management systems.

Robust business continuity management and disaster recovery

The extensive use of technology systems in transaction processing and settlement in retail as well as inter-institution and interbank markets requires adequate availability and capacity to handle the increasing load on these systems for smooth functioning of financial markets and banking industry in India. Data centre's managed by the Reserve Bank, and Indian Financial Network (INFINET), the communication backbone for the financial sector managed by the Institute for Development and Research in Banking Technology (IDRBT), continued to provide robust support during the year. Software changes were made in Real Time Gross Settlement (RTGS) and Public Debt Office- Negotiated Dealing System (PDO-NDS) applications to enhance performance and introduce new functionalities. The next generation RTGS with advanced technology and new functionalities is also in the pipeline, which would have features such as advanced liquidity management facility; extensible markup language based messaging system conforming to ISO 2002, and real time information and transaction monitoring and control system. Periodic drills were conducted to get feedback and assurance on the effectiveness of the Business Continuity management and Disaster Recovery (BCP-DR) arrangements for shared infrastructure and Payment and Settlement Systems. A quarterly report on the BCP-DR and Vulnerability Analysis and Penetration Testing (VAPT) exercise conducted by commercial banks at their end was also obtained and significant points emerging out of the same are included in the inputs for analysis and suitable incorporation in the periodical Financial Stability Report.

CHALLENGES

Need for further improving the efficiency parameters of the Indian Banks

The Indian banking sector has recorded an impressive improvement in productivity over the last 15 years; many of the productivity/efficiency indicators have moved closer to the global levels. There has been a particularly discernible improvement in banks' operating efficiency in recent years owing to technology up-gradation and staff restructuring. However, to sustain high and inclusive growth, there is a need to raise the level of domestic savings and channel those savings into investment. This implies that banks need to offer attractive interest rates to depositors and reduce the lending rates charged on borrowers - in other words, reduce the net interest margin (NIM). The NIM of the Indian banking system is higher than that in some of the other emerging market economies even after accounting for mandated social sector obligations such as priority sector lending and credit support for the Government's anti-poverty initiatives. By far the most important task is to further improve operating efficiency on top of what has already been achieved by optimizing operating costs, i.e., non-interest expenses including wages and salaries, transaction costs and provisioning expenses. This will enable banks to lower lending rates while preserving their profitability. If pursued effectively, financial inclusion will provide banks access to sizeable low cost funds as also opportunities for lending in the small volume segment. The latter should be possible since the Reserve Bank has deregulated the interest rate that can be charged on small value loans. To gainfully pursue financial inclusion, banks will need to constantly reinvent their business models and design products and services demanded by a growing economy with rapid structural transformation.

Challenges to further strengthening inclusive growth

The banking sector is a key driver of inclusive growth. There are supply side and demand side factors driving inclusive growth. Banks and other financial services players largely are expected to mitigate the supply side processes that prevent poor and disadvantaged social groups from gaining access to the financial system. Banks were advised to ensure close and continuous monitoring of Business Correspondents (BCs). They were also advised to focus, in future, on opening of some form of low cost brick and mortar branches between the base branch and BC locations. Further, banks were required to make efforts to increase the number of transactions in no-frill accounts. There should be seamless integration of the financial inclusion server with their internal core banking solution (CBS) systems and in the case of end-to-end solution, there should be a clear demarcation of the technology related activities and BC related activities of their service providers. However, banks must bear in mind that apart from the supply side factors, demand side factors, such as lower income and /or asset holdings also have a significant bearing on inclusive growth. Banks also need to take into account various behavioral and motivational attributes of potential consumers for a financial inclusion strategy to succeed. Today, access to financial products is constrained by several factors, which include: lack of awareness about the financial products, unaffordable products, high transaction costs, and products which are not convenient, inflexible, not customized and of low quality. A major challenge of the next decade is financing the millions in the unorganized sector, self-employed in the micro and small business sector, the small and marginal farmers as also rural share-croppers in the agricultural sector. Other challenges include financing affordable housing and education needs of low income households.

Need for effective corporate governance in banks

Banks are different from other corporate in important respects and that makes corporate governance of banks not only different but also more critical. Banks facilitate economic growth, are the conduits of monetary policy transmission and constitute the economy's payment and settlement system. By the very nature of their business, banks are highly leveraged. They accept large amounts of uncollateralized public funds as deposits in a fiduciary capacity and further leverage those funds through credit creation. Banks are interconnected in diverse, complex and opaque ways underscoring their 'contagion' potential. If a corporate fails, the fallout can be restricted to the stakeholders. If a bank fails, the impact can spread rapidly through to other banks with potentially serious consequences for the entire financial system and the macro economy. While regulation has a role to play in ensuring robust corporate standards in banks, the point to recognize is that effective regulation is a necessary, but not a sufficient condition for good corporate governance. In this context, the relevant issues pertaining to corporate governance of banks in India are bank ownership, accountability, transparency, ethics, compensation, splitting the posts of chairman and CEO of banks and corporate governance under financial holding company structure, which should engage adequate attention.

Need to review laws governing the Indian banking sector

The extant statutory arrangement is complex with different laws governing different segments of the banking industry. The nationalized banks are governed by the Banking Companies (Acquisition and Transfer of Undertaking) Acts of 1970 and 1980. State Bank of India and its subsidiaries are governed by their respective statutes. Private sector banks come under the purview of the Companies Act, 1956 and the Banking Regulation Act, 1949. Foreign banks which have registered their documents with the registrar under Section 592 of the Companies Act are also banking companies under the Banking Regulation Act. Certain provisions of the Banking Regulation Act have been made applicable to public sector banks. Similarly, some provisions of the RBI Act too are applicable to nationalized banks, SBI and its subsidiaries, private sector banks and foreign banks. Notwithstanding this wide array of legislations of varying vintage, the statutory arrangement has served the system well by helping maintain an orderly banking system. Needless to say, each of the statutes was crafted in a setting reflecting the needs and concerns of the time. Almost all the statutes have had to be amended from time to time to reflect changes in circumstances and context. There is a strong case for reviewing all the various legislations and recasting them for a number of reasons. There is also a need to iron out inconsistencies between the primary laws governing the banking sector and other laws applicable to the banking sector. The decision of the Government to set up a Financial Sector Legislative Reforms Commission "to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector" is very timely and very vital. It is important, however, to recognize that changes in policy or in the regulatory architecture cannot be the remit of a Legislative Reforms Commission. Rather, they should be debated and decided upon as a prelude to the work of the Commission so that the Commission has a clear mandate on the policy directions.

Can the Indian banks aim to become global in stature?

Of late, there is a debate on whether the Indian banks should aim to become global? In this context, there is a need to view the related costs and benefits analytically and also view this as an aspiration consistent with India's growing International profile. Two specific questions that need clarity in this context are: (i) can Indian banks aspire to achieve global size? and (ii) should Indian banks aspire to attain global size? On the first question, it is unlikely that any of the Indian banks will come in the top ten of the global league even after reasonable consolidation. On the next question, those who argue that banks must go global contend that the issue is not so much the size of our banks in global rankings but of Indian banks having a strong enough global presence. The main argument is that the increasing global size and influence of Indian corporates warrant a corresponding increase in the global footprint of Indian banks. The opposing view is that Indian banks should look inwards rather than outwards, focus their efforts on financial deepening at home rather than aspiring to global size. It is possible to take a middle path and argue that looking outwards towards increased global presence and looking inwards towards deeper financial penetration are not mutually exclusive; it should be possible to aim for both. In the wake of the global financial crisis, there has definitely been a pause to the rapid expansion overseas of our banks. Notwithstanding the risks involved, it will be opportune for some of the larger banks to be looking out for opportunities for consolidation. The surmise, therefore, is that Indian banks should increase their global presence. In the rapidly changing global financial landscape, it is imperative for the Indian banks to think global but act local.

Costs and risks in using technology to change the face of banking

Technology adoption has changed the face of banking in India. Wide spread technology deployment in the banking business has also brought to the fore some new issues and challenges. These can be broadly divided into two categories - costs and risks. Cost aspects can be addressed by synergizing IT deployment objectives with the broader, strategic business objectives to ensure adequate operational and management controls over purchase as well as maintenance of appropriate technology solutions. The second aspect relating to IT risks is a very critical issue. With the increased use of IT, there are attendant risks posed to the banks as well as their customers in terms of monetary loss, data theft, breach of privacy and banks need to be extremely cognizant of such risks. Another significant aspect of banking business is regulatory and supervisory compliance. With the growth and globalization of markets in general and in the aftermath of recent crisis in particular, number of such compliance requirements is increasing. Basel II and III implementation brings in huge challenges. Banks have adopted technology, but the benefit of technology has not fully percolated in terms of cost, speed and convenience. Empowering customers with technology-driven benefits is a big challenge.

Emerging trends in payment systems and related challenges

The smooth functioning of the market infrastructure for enabling payment and settlement systems is essential for market and financial stability, as also for economic efficiency, and for the smooth functioning of financial markets. The financial sector and the payment and settlement system infrastructure have to be subservient to the real sector. The evolving payment systems scenario offers new challenges and opportunities to all segments of this industry. To leverage on the opportunities provided by new products, the system providers/banks need to ensure that the challenges are adequately addressed. It also has to be ensured that the products cover all segments of the population and provide an incentive to adopt these products. The regulatory process will support all orderly development of new systems and processes, within the legal mandate. The important issues in this context are how banks can provide cost effective, safe, and speedier and hassle free payment and settlement products and solutions.

Some concerns related to financial stability

Despite the fragility of the global macro financial environment, the macroeconomic fundamentals for India have remained robust. Further, since December 2010, the financial markets remained stress-free and the forecast of the values of the Financial Stress Indicator pointed out that they were likely to remain stable in the near term. Some emerging trends that may be of immediate concern in respect of financial stability are, (i) the possibility of spillovers from increasing financialisation of commodities to financial markets, (ii) interest rate differentials vis-à-vis advanced economies, which could propel foreign funding by Indian corporate leading to currency mismatches, (iii) rollover risks of maturity of Foreign Currency Convertible Bonds (FCCBs) requiring refinancing at higher interest rates, and (iv) disproportionate growth in bank credit to four specific sectors, viz., real estate, infrastructure, NBFCs and retail credit coupled with persistent asset-liability mismatches, reliance on borrowed funds and enhanced requirement of provisioning for NPAs. Stress tests suggest that the banking sector remains fairly well capitalized and resilient to asset quality shocks and other plausible adverse changes in macroeconomic scenario. Issues pertaining to regulatory gaps remaining in the NBFC sector that impinge on financial stability are being addressed by enhancing the scope of the regulatory perimeter while vulnerabilities in the liquidity risk management systems of domestic central counterparties are being weighed in terms of new mechanisms for bail-outs.

5. The Way Forward

While the opportunities to grow further are on increase, banks do have to contend with new challenges as they move forward. The recent deregulation of savings bank deposit interest rates announced on October 25, 2011 may initially lead to some competition, as banks with low share of savings deposits may like to garner a larger share of such deposits. However, this process may not be disruptive. The provisioning in lieu of pension liabilities and slippages in incrementally high growth loan portfolios in sensitive sectors such as retail and real estate sectors may impact profitability. A specific area of concern that has come to the fore is the concentrated and high pace of lending to the infrastructure sector by the public sector banks (PSBs), raising the apprehensions of increasing delinquencies in the future. As mentioned earlier, banks also face challenges in respect of demanding needs of supporting growth through financial inclusion and efficient credit intermediation through technology and product innovation. It is important to recognize that with further globalization, consolidation, deregulation and diversification of the financial system, the banking business is set to become more complex and riskier. Issues like complex risk management, appropriate liquidity management and enhancing skill development are some challenges already visible in the Indian context. The interface between banks and financial markets has undergone a fundamental shift in the recent times. The banks have become intricately linked to financial markets and hence more vulnerable to financial markets stress. While technological advancements in IT have led to discernible improvement in the efficiency of banking services, banks have not gained in terms of efficiency partly because of lack of business process re-engineering. The challenge is to leverage technology optimally to balance growth, efficiency and risk management objectives.

CONCLUSION

To take full advantage of the opportunities while addressing the new challenges, the process of institutional strengthening assumes critical importance. Banks need to build on four principles, viz., efficiency, stability, transparency and inclusion. The three balancing acts that the banking sector development strategy needs to perform are: between the drivers of banking sector growth and the requirements of the larger growth and development agenda; between the benefits and risks of greater global integration; and between the advantages of scale and the compulsions of diversity. As articulated earlier, expected economic performance, robust savings, policy thrust to expand infrastructure and further strengthening of financial inclusion are expected to ensure robust growth of the banking sector in medium term. In the long term, however, the most significant task of the Indian banking sector is to ensure that banking products and services are made available to every individual in the country efficiently to achieve total financial inclusion. Going forward, filling the void called 'financial exclusion' is the critical responsibility of banks. Despite all the challenges and issues to be addressed, the banking sector in India can look forward to enormous opportunities in their quest for long term growth. The banking sector needs to focus on growth through inclusion, innovation and diversification while complying with domestic regulations and internalizing international best practices.

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EMOTIONAL INTELLIGENCE: EMPLOYEES OF PRIVATE SECTOR BANKS IN MORADABAD REGION

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ABSTRACT

The rules of work are changing with a fast pace. The increasing complexities both in business as well as in human behavior have created the need for not only people with high Intelligent Quotient (IQ) but people with high Emotional Quotient (EQ) also. In the present era where the slogan "Customer is the King" prevails in every organization the emotionally imbalanced employees may find it hard to achieve their targets or deliver their reports on time. The way a person feels affects the way he behaves and the way he behaves will not only have the relationship with his achievements, but also affects the performance of those around him. Keeping this in view, the present paper is an attempt to unveil the concept of emotional Intelligence among bank employees of Indian private sector banks and its effect on their performance.

Key Words: *Intelligent Quotient, Emotional Intelligence (EI), Indian Private Banks*

INTRODUCTION

The rules for work are changing. People are being judged by not just how smart they are but also by how well they handle each other and themselves. The essential premise of EQ is that our each and every action is systematically controlled by emotions. In order to be successful, requires effective awareness, control and management of one's own emotions and those of other people. If IQ starts from head EQ starts from heart. Since the publication of the best selling book Emotional Intelligence by Daniel Goleman (1995), the topic of emotional intelligence has witnessed unparalleled interest. Elementary schools, universities have implemented courses on developing one's emotional intelligence in numerous settings. Among Asian countries, Indian economy occupies an extremely important position as a mixed economy having share in varied sectors like textile's sector, the sports goods industry, the agriculture sector, the services sector and other industries. In service sector, Indian banking sector keeps the largest share and growing very fast. After the Liberalization Privatization Globalization (LPG) policy of 1991, the banking sector of India has been transformed from an indolent and slow moving sector to an active, competitive and productive industry. At present, Private Banks in India includes leading banks like ICICI Banks, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Kotak Mahindra Bank, Commercial and International Bank, Nainital Bank, Axis Bank, etc. Undoubtedly, being tech-savvy and full of expertise, private banks have played a major role in the development of Indian banking industry.

SERVQUAL

Underpinning our understanding of service quality is an array of factors or determinants. A number of researchers have provided lists of quality determinants, but the best known determinants emanate from Parasuraman and colleagues from the USA, who found five dimensions of service quality, namely, tangibles, reliability, responsiveness, assurance and empathy and used these as the basis for their service quality measurement instrument.

The result was the development of the SERVQUAL instrument, based on the gap model. The central idea in this model is that service quality is a function of the difference scores or gaps between expectations and perceptions. An important advantage of the SERVQUAL instrument is that it has been proven valid and reliable across a large range of service contexts

OBJECTIVE OF THE STUDY

The main objective of this research proposal is to find out the direct and indirect impact of emotional intelligence on service quality in Indian private banking sector in order to increase customer loyalty and for business longevity.

RESEARCH METHODOLOGY

Area of the Study: The researcher has chosen Moradabad city in the State of Uttar Pradesh for the purpose of his study.

Type of data collected: The researcher has collected primary data through close ended questionnaire developed for the employees of the private sector banks. Primary Data were collected using the questionnaire and personal contact approach. The respondents (Employees) were approached personally in order to seek fair and frank responses on quality of service and emotional intelligence among employees in private sector banks. Quantitative data was collected using survey questionnaires designed in the form of closed questions. To measure emotional intelligence among employees of private sector banks five dimensions are

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developed namely- Self Awareness, Managing Emotions, Self Motivation, Recognizing the Emotions of Others and Handling Relationship. The researcher has taken Convenience Sampling. 65 Respondents (30 ICICI/15 HDFC/10 Kotak /10 IndusInd Bank)

Scale: A five point Likert Scale used for both the questionnaire. The details are:

Questionnaire for Employees of private sector banks: A five point Likert scale starting from strongly disagree to strongly agree (1 – 5) was used for the study. 1= Strongly Disagree, 2= Somewhat Disagree, 3= neither Agree nor Disagree, 4= Somewhat Agree, 5= Strongly Agree.

Questionnaire: The questionnaire was developed to measure the emotional intelligence of the employees of four private sector banks on five point likert scale. Five dimensions were selected to assess the emotional intelligence of the employees of the private sector banks i.e. Self Awareness, Managing Emotions, Self Motivation, Recognizing the Emotions of Others and Handling Relationship.

PERCEPTION OF EMOTIONAL INTELLIGENCE OF EMPLOYEES OF FOUR PRIVATE SECTOR BANKS

To measure emotional intelligence among employees of private sector banks five dimensions are developed namely, Self Awareness, Managing Emotions, Self Motivation, Recognizing the Emotions of Others and Handling Relationship. The mean score of perceptions by employees of private sector banks regarding the five dimensions of emotional intelligence are highlighted in. the following tables (Table 1). The data is arranged in the increasing order among the four banks

(A) PERCEPTION OF BANK EMPLOYEES ON SELF AWARENESS

Table 1 describes the perception of employees of four private sector banks on the dimension of Self Awareness.

Mean Score Of Self Awareness

Table 1

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank
When faced obstacles in bank, remember times when faced similar obstacles and overcame them.	4.27	4.17	4.00	4.10
Expect to do well on most of the activities in bank	4.07	4.17	4.20	4.10
Feeling of adjustment to work in general	4.33	4.23	4.10	4.10
When ignored for a promotion by the management in spite of eligibility, moreover, one of the juniors has been promoted, Identify problems and improve performance	4.20	4.20	4.10	3.90
Evaluation of own job performance	4.53	4.20	4.10	3.80
As a sales person approaching prospective clients to purchase banking products. A dozen people in a row slam the door on the face. Try to re-assess own capabilities and come out with new strategies	4.13	4.30	4.30	4.10
Think that work adjustment has impacted the job performance	4.20	4.27	4.30	4.00
Average	4.25	4.22	4.16	4.01

The comparison between average of mean scores of different private sector bank employees is highest in the case of HDFC Bank (4.25) and lowest in the case of IndusInd Bank (4.01) .This shows that the employees of HDFC Bank are more self-Aware in comparison with the employees of other banks

(B) PERCEPTION OF BANK EMPLOYEES ON MANAGING EMOTIONS

Table 2 describes the perception of employees of four private sector banks on the dimension of Managing Emotions

Mean Score for Managing Emotions

Table 2

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank
Emotions are one of the things that make working life worth living in the bank.	4.40	4.23	4.20	4.20
Aware of the non verbal messages send to colleagues and customers.	4.20	4.23	4.30	4.20
When in a positive mood, solving problems of work life is easy	4.53	4.33	4.20	4.20
Continue with the discussion	4.13	4.33	4.20	3.80

with a cool head when as the Branch Manager of one of the branch of the bank, while taking a meeting with the union, one of the union leaders level serious allegations of corruption and favoritism against me.				
Average	4.32	4.28	4.23	4.10

The comparison between average of mean scores of different private sector bank employees is highest in the case of HDFC Bank (4.32) and lowest in the case of IndusInd Bank(4.10) .This shows that the employees of HDFC Bank are more expert in managing emotions in comparison with the employees of other banks

(C) PERCEPTION OF BANK EMPLOYEES ON SELF MOTIVATION

Table 3 describes the perception of employees of four private sector banks on the dimension of

Self Motivation Mean Score for Self-Motivation

Table 3

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank
When mood changes, see new possibilities in the banking activities.	4.20	4.10	4.00	3.90
Expect good things to happen in the bank	4.07	4.23	4.20	4.00
Self motivation by imagining a good outcome to tasks taken in the bank	4.13	4.20	4.20	4.00
When in a positive mood, able to come up with new ideas of work.	4.33	4.10	4.30	4.10
Average	4.18	4.16	4.18	4.00

The comparison between average of mean scores of different private sector bank employees is highest in the case of HDFC Bank (4.18)and lowest in the case of IndusInd Bank(4.00) .This shows that the employees of HDFC Bank are better self-motivated in comparison with the employees of other banks

(D) PERCEPTION OF BANK EMPLOYEES ON RECOGNIZING THE EMOTIONS OF OTHERS

Table 4 describes the perception of employees of four private sector banks on the dimension of Recognizing the Emotions of Others.

Mean Score For Recognizing Emotions

Table 4

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank
Find it easy to understand the non verbal messages of colleagues and customers	4.53	4.30	4.10	3.90
Recognize the emotions customers are experiencing by looking at their facial expressions	4.07	4.10	4.10	3.90
Know what colleagues and customers are feeling just by looking at them.	4.13	4.17	4.20	3.90
Compliment colleagues when they have done something well.	4.13	4.17	4.20	4.10
Average	4.22	4.18	4.15	3.95

The comparison between average of mean scores of different private sector bank employees is highest in the case of HDFC Bank (4.22)and lowest in the case of IndusInd Bank(3.95) .This shows that the employees of HDFC Bank are Fast in recognizing emotions in comparison with the employees of other banks

(E) PERCEPTION OF BANK EMPLOYEES ON HANDLING RELATIONSHIP

Table 5 describes the perception of employees of four private sector banks on the dimension of Handling Relationship

Mean Score for Relationship Handling

Table 5

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank
Present myself in a way that makes a good impression on customers	4.40	4.17	4.10	4.10
Feel about getting along well and compatible with the colleagues.	4.47	4.30	4.30	4.00
Apologize to colleague when engaged in an argument with colleague in the course of which end up personally attacking him/her without any intention to tarnish the image of my colleague	4.40	4.27	4.20	4.10
Take initiative and start talking to the colleague when at work place due to some misunderstanding he/she stops talking to me.	4.33	4.37	4.20	4.20

Advise the freshly recruited professional graduate colleague to be bold, face the challenge and overcome the problem when he/she joins the organization as a management trainee and complains to me that her superiors and subordinates were not taking him/her seriously.	4.20	4.30	4.30	4.20
Feel about getting along well and compatible with the boss	4.00	4.13	4.20	4.00
Average	4.30	4.26	4.22	4.10

The comparison between average of mean scores of different private sector bank employees is highest in the case of HDFC Bank (4.30) and lowest in the case of IndusInd Bank (4.10) .This shows that the employees of HDFC Bank easily handle the relationship with others in comparison with the employees of other banks

OVERALL PERCEPTION OF BANK EMPLOYEES ON THE FIVE DIMENSIONS OF EMOTIONAL INTELLIGENCE

The combined results of various parameters of five dimensions of emotional intelligence are depicted in Table 6.

Mean Score Of Self Awareness

Table 6

Parameters	HDFC Bank	ICICI Bank	Kotak Mahindra Bank	IndusInd Bank	Over all averages
Self Awareness	4.25	4.22	4.16	4.01	4.16
Managing Emotions	4.32	4.28	4.23	4.10	4.23
Self Motivation	4.18	4.16	4.18	4.00	4.13
Recognizing the Emotions of Others	4.22	4.18	4.15	3.95	4.12
Handling Relationship	4.30	4.26	4.22	4.10	4.22
Overall Average	4.25	4.22	4.19	4.03	4.17

Overall, the findings suggest that the majority of participants had high EI, with the majority of participants presenting strong personal and social competence self ratings.

The above table shows the overall perception of bank employees on the five dimensions of emotional intelligence namely; self awareness, managing emotions, self motivation, recognizing the emotions of others and handling relationship. The employees of all four private sector banks score high on managing emotions(4.23) and handling relationship (mean score 4.22). The next dimension is self motivation which has a mean average score of 4.13. Next is the self awareness which has a mean score of 4.16 and last is the dimension of recognizing the emotions of others which has a mean score of 4.12. We find an overall average of 4.17 on a five point scale which depicts a good emotional intelligence on the part of employees of private sector banks.

It is clear from the above table that the employees of HDFC Bank are highly emotionally intelligent (mean score 4.25) as compared to other private sector banks.Not only this the bank also leads the average score of the banks that shows that HDFC leads on EI which is important to retain customers and maintain business longevity.

Conclusion

The present study shows that people with high Emotional Intelligence are the best performers and have high levels of interpersonal skills and thus are more satisfied at work. Emotionally balanced employees are empathetic, adaptable, self-aware, self-confident, transparent, optimistic, inspirational leaders and good at managing disagreements and stress. Individual with high EI are good problem solvers and decision makers. They can skillfully prioritize their task and quickly realize their goals. There is need for high management in banking sector to design and include Emotional Intelligence into training program that has helped employees to co-operate better and be more motivated, thereby increasing their innovative abilities etc. Such program should also take into account the demographic factors of the employees. When any organization puts more efforts towards the institutionalizing the factors which affect the EI most as a beam of light then the quality service (5 parameters) would derive as a constituent spectral colures which will further increase the profits and productivity of banks. But this process of institutionalizing the Emotional intelligence in the organization is not one step and one go process. As it is a form of organizational change this should be operationalize at a snail's pace.

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DEPOSITORY SYSTEM IN INDIA

Vishal Goel* **Arvind Singh****

ABSTRACT

One of the biggest problems faced by the Indian capital market has been the manual and paper based settlement system. Under this system, the clearing and settlement of transaction take place only with the use of paper work. Thus, to eliminate paperwork, facilitate scrip less trading and electronic book entry of the transfer of securities, shorten settlement periods, and to improve liquidity in the stock market, it was found necessary to replace the old system of transfer and settlement with the new and modern system of depositories. The paper focuses on awareness and knowledge of Depository system.

Key Words: *settlement, scrip, securities, stock market, knowledge of Depository system*

INTRODUCTION

One of the biggest problems faced by the Indian capital market has been the manual and paper based settlement system. Under this system, the clearing and settlement of transaction take place only with the use of paper work. The system of physical delivery of scrip's poses many problems for the purchaser as well as the seller in the form of delayed settlements, long settlement periods, high level of failed trade, high cost of transaction, bad deliveries etc. In many cases transfer process takes much longer time then two month as stipulated in section 113 of companies Act, 1956 or section 22 A of the securities Contracts (Regulations) Act, 1956.Moreover, a large number of transactions end up as bad deliveries due to faulty compliance of paper work, mismatch of signatures on transfer deeds with specimen record of the issuer or other procedural reasons. Besides, theft, forgery, multination of certificates and other irregularities have also become rampant. However, as a consequence of implementation of reforms measures, the Indian capital market has shown rapid growth in the recent past with foreign investors, more stock exchanges and increased market intermediaries. The old manual system of settlement and transfer has almost failed to handle the growing volume of paper that has loaded the market. Thus, to eliminate paperwork, facilitate scrip less trading and electronic book entry of the transfer of securities, shorten settlement periods, and to improve liquidity in the stock market, it was found necessary to replace the old system of transfer and settlement with the new and modern system of depositories. Accordingly the government of India enacted the depositories Act in 1996 for the orderly growth and development of the Indian capital market. It is a system whereby the transfer and settlement of scrip's take place not through the traditional method of transfer deeds and physical delivery of scrip's but through the modern system of effecting transfer of ownership of securities by means of book entry on the ledgers or the depositary without the physical movement of scrip's. The new system, thus, eliminates paper work; facilities automatic and transparent trading in scrip's, shortens the settlement period and ultimately contributes to the liquidity of investment in securities. The system is also known as 'scripless trading system'.

OBJECTIVES OF THE STUDY

1. To understand the basic term and process in depositary system.
2. Get specific knowledge about NSDL and CSDL and its investor patterns.
3. Provide adequate and desirable information for the readers.
4. To find out that factors or speculations those are responsible for creating a negative image of DS in the mind of investor.
5. Getting the information about the awareness of depository system.
6. Find out the satisfactory level of the investors regarding this system.

DEPOSITARIES

There are essentially four players in the depository system, Depositary participant, beneficial owner/investor, the issuer, and the depositary. A depositary is a firm wherein the securities of an investor are held in electronic form in the same way a bank holds money. It carries out the transactions of securities by means of book entry, without any physical movement of securities. The depositary based settlement system is also called 'book entry transfer settlement'. The depositary acts as a defector owner of the securities lodged with it form the limited purpose of transfer of ownership. It functions as a custodian of securities of its clients. The name of the depositary appears in the records. With increase in the number of transactions in the stock market, it had become difficult for the investors to hold share certificates and debt

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instruments in bulk. But now, depositary institutions handle this job. At present there are two depositories in India. a) National securities depositary Ltd., b) Central depositary services (India) Ltd.

NSDL

It was formed and registered under the companies' act 1956 during December 1995 and commenced operations during november1996. NSDL was promoted by Industrial Development Bank of India (IDBI)-the largest development bank in India, Unit trust of India (UTI)-the largest mutual fund in India and National stock exchange (NSE)-the largest stock exchange in India. Some of the prominent banks in the country also have a stake in NSDL.

CDSL

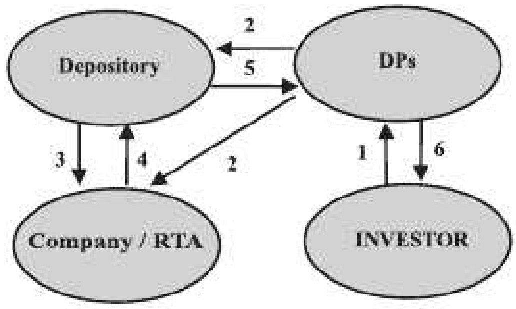
Central Depository services (India) limited which commenced operations during February1999.CSDL was promoted by stock exchange, Mumbai in association with Bank of Baroda, Bank of India, State Bank of India and HDFC Bank.

Electronic revolution has brought about a number of changes in the functioning of Indian capital market. The most revolutionary change that was brought in the entire history of the Indian market is the introduction of depository. The century old Indian market has been vibrant all along but its paper- based settlement of trades caused problems like bad delivery, delayed transfers etc., until the enhancement of depository act in 1996. The depository model in India is a competitive multi depository system In India the system of dematerialization is followed, wherein the securities will be cancelled as against the system of immobilization in which the securities are kept in custody. A depository is an organization where the securities of an investor are held in electronic form and carries out the securities transaction by book entry. A depository is a file or set of files in which data is stored for the purpose of safe keeping or identity authentication. A common example is the set of personal data files at a credit reporting agency such as Equifax. Another example is the data contained at a state motor vehicle department. In a biometric security system, a depository contains data about people's physical characteristics such as iris prints and finger images. Additional information may be added, including facial characteristics, voice prints, and hand prints. When a person's identity must be verified, one or more biometric samples is taken in real time, and this data is compared with the data in the depository. In general information storage applications, a depository are a physical site where data is kept in the form of hard copies, magnetic disks, magnetic tapes, compact disks (CDs), and similar media. A good example is the safe deposit vault in a financial institution. An ideal depository is secure, in the sense that only authorized persons or institutions can gain access to the data it contains. However, experience has shown that many depositories, no matter how secure they claim to be, can be compromised by a determined hacker or thief.

The erstwhile settlement system on Indian stock exchanges was also inefficient and increased risk, due to the time that elapsed before trades were settled. The transfer was by physical movement of papers. There had to be a physical delivery of securities -a process fraught with delays and resultant risks. The second aspect of the settlement relates to transfer of shares in favor of the purchaser by the company. The system of transfer of ownership was grossly inefficient as every transfer involves physical movement of paper securities to the issuer for registration, with the change of ownership being evidenced by an endorsement on the security certificate. In many cases the process of transfer would take much longer than the two months stipulated in the Companies Act, and a significant proportion of transactions would end up as bad delivery due to faulty compliance of paper work. Theft, forgery, mutilation of certificates and other irregularities were rampant. In addition, the issuer has the right to refuse the transfer of a security. All this added to costs and delays in settlement, restricted liquidity and made investor grievance redressal time consuming and, at times, intractable. To obviate these problems, the Depositories Act, 1996 was passed. It provides for the establishment of depositories in securities with the objective of ensuring free transferability of securities with speed, accuracy and security. It does so by

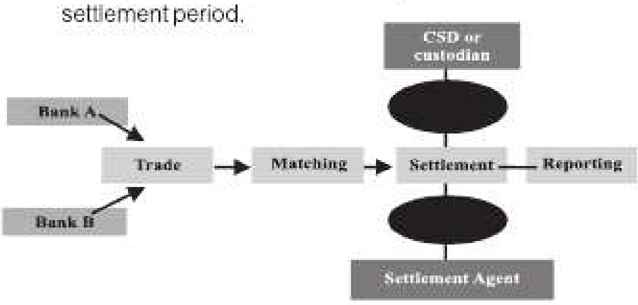
(a) Making securities of public limited companies freely transferable, subject to certain exceptions;

(b) Dematerializing the securities in the depository mode; and



Flow Chart of Dematerialisation Process

(c) Providing for maintenance of ownership records in a book entry form. In order to streamline both the stages of settlement process, the Act envisages transfer ownership of securities electronically by book entry without making the securities move from person to person. The Act has made the securities of all public limited companies freely transferable, restricting the company's right to use discretion in effecting the transfer of securities, and the transfer deed and other procedural requirements under the Companies Act have been dispensed with. Two depositories, viz., NSDL and CDSL, have come up to provide instantaneous electronic transfer of securities. In any stock exchange, trades or transactions have to be settled by either squaring up the carrying forward positions or settling by payment of net cash or net delivery of securities. It increases the chances of speculation resulting in volatility, which hurts the small investors. With the application of IT in the securities market - screen-based trading and trading through the Internet - it has been possible to reduce this settlement period.



Procedure of conversion from scrip based security to electronic form

you can convert physical share certificates into electronic form through a process of dematerialization. Similarly an investor can get his electronic shares converted into physical certificate(s) through the process of Rematerialisation. The brief procedure is as follows:

- Opening of an account: You can contact any reputed Depositary Participant (DP) of your area for opening an account with it. The operation of DP is similar to a banking system. However, one account is sufficient for holding of the dematerialized shares of various companies. You can also have multiple accounts with the same DP or different DPs. Similar to a Bank account number; you will get identification number called "Client ID" which is a reference point for all your transactions with the DP.
- Dematerialization request: While opening an account with the DP, the latter will provide Dematerialization Request Form (DRF). You would fill-up DRF and submit along with the original certificates to be dematerialized to your DP after marking the certificates with the remark "surrendered for dematerialization".
- Demat confirmation: After verifying the certificates surrendered for Demat, DP surrenders the share certificate(s) and DRF to the concerned company/RTA and a request for confirmation of Demat is also sent through depository to the company.

Legal framework of depositary system

The operations of the depositories are primarily governed by the Depositories Act, 1996,Securities and Exchange Board of India (Depositories & Participants) Regulations, 1996, Bye-Laws approved by SEBI, and Business Rules framed in accordance with the Regulations and Bye-Laws. The Depositories Act passed by Parliament received the President's assent on August 10, 1996. It was notified in a Gazette on August 12 of the same year. The Act enables the setting up of multiple depositories in the country. This was to see that there is competition in the service and there is more than one depository in operation. At present, two depositories are registered with SEBI - The National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).Only a company registered under the Companies Act, 1956 and sponsored by the specified category of institutions can set up a depository in India. Before commencing operations, depositories should obtain a certificate of registration and a certificate of commencement of business from SEBI. The rights and obligations of depositories, depository participants, issuers and beneficial owners are spelt out clearly in the Depositories Act 1996.

As per the Act:

Section 4: DP is an agent of the Depository: A DP is an agent of the depository, who provides various services of the depository to investors. The DP has to enter into an agreement with the depository to this effect. Any investor who would like to avail the services of a depository has to enter into an agreement with any DP of his choice. The DP will then make the depository services available to the investor.

Section 7 : Free Transferability : The securities held by an investor in the depository are freely transferable from one beneficial owner to another.

Section 8 : Option to hold securities in demat form : In the depository system, every investor subscribing to securities

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offered by an issuer has an option to receive the same in physical form or dematerialized form. If an investor opts for receiving the securities in dematerialized form, the issuer intimates the depository the details of allotment of security. On receipt of this information, the depository enters the name of the allotted as the beneficial owner of that security in its record.

Section 9: Securities held in a depository are fungible: All securities held by the depository are in dematerialized and fungible form.

Section 10: Registered Owner and Beneficial Owner: The depository is deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of a beneficial owner. But as a registered owner, it does not have any voting rights or any other rights in respect of those securities. The beneficial owner is entitled to all rights and benefits as well as subject to all liabilities in respect of his securities held in the depository.

Section 14: Option to opt out of depository: A beneficial owner may opt out of a depository in respect of any security by requisite intimation to the depository.

Section 16: Depository to indemnify losses: A depository shall indemnify a beneficial owner, any loss caused due to negligence of the depository or its participant.

Eligibility Criteria for a Depository

Any of the following may promote a depository:

A public financial Institution as defined in section 4A of the Companies Act, 1956; A bank included in the Second Schedule to the Reserve Bank of India Act, 1934; A foreign bank operating in India with the approval of the Reserve Bank of India; A recognized stock exchange; An institution engaged in providing financial services where not less than 75% of the equity is held jointly or severally by these institutions; A custodian of securities approved by Government of India, and A foreign financial services institution approved by Government of India. The promoters of a depository are also known as its sponsors. A depository company must have a minimum net worth of Rs. 100 crore. The sponsor(s) of the depository have to hold at least 51% of the equity capital of the depository company. Participants of that depository, if any, can hold the balance of the equity capital. However, no single participant can hold, at any point of time, more than 5% of the equity capital. No foreign entity, individually or collectively either as a sponsor or as a DP, or as a sponsor and DP together, can hold more than 20% of the equity capital of the depository.

Registration

As per the provisions of the SEBI Act, a depository can deal in securities only after obtaining a certificate of registration from SEBI. The sponsors of the proposed depository should apply to SEBI for a certificate of registration in the prescribed form. On being satisfied with the eligibility parameters of a company to act as a depository, SEBI may grant a certificate of registration subject to certain conditions.

Commencement of Business

A depository that has obtained registration as stated above can function only if it obtains a certificate of commencement of business from SEBI. A depository must apply for and obtain a certificate of commencement of business from SEBI within one year from the date of receiving the certificate of registration from SEBI.SEBI grants a certificate of commencement of business if it is satisfied that the depository has adequate systems and safeguards to prevent manipulation of records and transactions. SEBI takes into account all matters relevant to the efficient and orderly functioning of the depository. It particularly examines whether:

1. The depository has a net worth of not less than Rs. 100 crore;
2. The Bye-Laws of the depository have been approved by SEBI;
3. The automatic data processing systems of the depository have been protected against unauthorized access, alteration, destruction, disclosure or dissemination of records and data;
4. The network, through which continuous electronic means of communication are established between the depository, participants, issuers and issuers' agents, is secure against unauthorized entry or access.
5. The depository has established standard transmission and encryption formats for electronic communication of data between the depository, participants, issuers and issuers' agents;
6. The physical or electronic access to the premises, facilities, automatic data processing systems, data storage sites and facilities including back-up sites, and to the electronic data communication network connecting the DPs, issuers and issuers' agents is controlled, monitored and recorded;
7. The depository has a detailed operational manual explaining all aspects of its functioning, including the interface and method of transmission of information

between the depository, issuers, issuers' agents, DPs and beneficial owners;

8. The depository has established adequate procedures and facilities to ensure that its records are protected against loss or destruction and arrangements have been made for maintaining back-up facilities at a location different from that of the depository;
9. The depository has made adequate arrangements including insurance for indemnifying the beneficial owners for any loss that may be caused to such beneficial owners by the wrongful act, negligence or default of the depository or its participants or of any employee of the depository or participant;
10. The granting of certificate of commencement of business is in the interest of investor's insecurities market.

CONCLUSION

The study observes that the most of the people have knowledge about the depository system but they have not a proper and basic knowledge about this vast concept only they have limited information. It can be said that the research findings clearly reveal the goodwill and reputation of depository system among the customers. But there is a need to strengthen this depository system by spreading awareness about the services offered by NSDL, CSDL and its trading companies through advertisement and by expanding the more branches of this system all over the country and also by tapping the potential customers through innovative means.

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HERGBERG'S THEORY: IMPLICATION IN PRESENT SCENARIO

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ABSTRACT

The major factors that keep the employees bonded with the organisation is motivation. Various management thinkers have conducted several studies to understand the relationship between motivation, efficiency and satisfaction. One of the outstanding efforts in this regard is Herzberg's two factor theory. Herzberg in his theory took two categories containing various factors that may have impact on employee satisfaction. The study was conducted on a group of people and the theory was propounded. Is this theory is relevant even today, keeping this in mind this study is conducted in the Lucknow city by interviewing a selected sample of respondents working in different capacities.

INTRODUCTION

Motivation in simple terms may be understood as the set of forces that cause people to behave in certain ways. A motivated employee generally is more quality oriented. Highly motivated worker are more productive than apathetic worker one reason why motivation is a difficult task is that the workforce is changing. Employees join organizations with different needs and expectations. Their values, beliefs, background, lifestyles, perceptions and attitudes are different. Not many organizations have understood these and not many HR experts are clear about the ways of motivating such diverse workforce. Now days employees have been hired, trained and remunerated they need to be motivated for better performance. Motivation in simple terms may be understood as the set or forces that cause people to behave certain ways. People are motivated rewards something they can relate to and something they can believe in. Times have changed People wants more. Motivated employees are always looking for better ways to do a job. It is the responsibility of managers to make employees look for better ways of doing their jobs. The purpose of this study was to identify through hypothesis testing how Herzberg's theory okjjf job satisfaction is relevant in present scenario. The study was conducted using structured questionnaire private and public sector employees. The Chi Square technique was applied and the chi value was computed to test the formulated hypotheses in order to find the relevance of Herzberg theory in present context.

HERZBERG THEORY OF MOTIVATION

Job satisfaction traditionally has been assumed to follow a single underlying continuum. One end of this continuum was supposed to represent a high level of satisfaction with the job, while the other end was purported to reflect a high level of dissatisfaction with the job. Points between the two extremes were assumed to reflect various degrees of satisfaction/ dissatisfaction. Frederick Herzberg and his associates (1959) conducted extensive interviews with two hundred engineers and accountants using the critical-incident method for data collection. Herzberg made a theoretical departure from the traditional continuum concept by suggesting that job satisfaction was hypothesized to operate on a continuum which ranged from high to no job satisfaction-while job dissatisfaction operated on another continuum which ranged from no to high job dissatisfaction. These two continua were hypothesized to be independent of each other. Based on extensive empirical investigation, Herzberg set forth a two-factor theory of job satisfaction which received both widespread support and criticism Herzberg published the two-factor theory of work motivation in 1959. The theory was highly controversial at the time it was published, claims to be the most replicated study in this area, and provided the foundation for numerous other theories and frameworks in human resource development (Herzberg, 1987). The theory states that job satisfaction and dissatisfaction are affected by two different sets of factors. Therefore, satisfaction and dissatisfaction cannot be measured on the same continuum. Herzberg's research was conducted during the late 1950s within a thirty mile radius of Pittsburg, which was at the time a centre for heavy industry. It was a time of full employment and nearly 100% utilization of plants and facilities. Although demographical information of the workers studied was not explicitly stated by the authors in the literature, it is implied that the majority of the workers studied were white males. It was also a period of heavy unionization. This is in stark contrast to the current

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work environment of customer-service oriented jobs, high unemployment rates, idle and closed plants, the diverse workforce, and the decline of unionization.

Herzberg's Two-Factor Theory divides motivation and job satisfaction into two groups of factors known as the motivation factors and hygiene factors. According to Frederick Herzberg, "the motivating factors are the six 'job content' factors that include achievement, recognition, work itself, responsibility, advancement, and possibility of growth. Hygiene factors are the 'job context' factors, which include company policy, supervision, work conditions, relationship with peers, salary, personal life, relationship with subordinates, status, and job security". Basically the theory differentiates the factors between intrinsic motivators and extrinsic motivators. The intrinsic motivators, known as the job content factors, define things that the people actually do in their work; their responsibility and achievements. These factors are the ones that can contribute a great deal to the level of job satisfaction an employee feels at work. The job context factors, on the other hand, are the extrinsic factors that someone as an employee does not have much control over; they relate more to the environment in which people work than to the nature of the work itself (Schermerhorn, 2003). Herzberg identifies these factors as the sources for job dissatisfaction. "Hertzberg reasoned that because the factors causing satisfaction are different from those causing dissatisfaction, the two feelings cannot simply be treated as opposites of one another. The opposite of satisfaction is not dissatisfaction, but rather, no satisfaction. Similarly, the opposite of dissatisfaction is no dissatisfaction. While at first glance this distinction between the two opposites may sound like a play on words, Herzberg argued that there are two distinct human needs portrayed" ("Herzberg'sMotivation-Hygiene Theory," 2002).

Therefore, the basic premise of the Two-Factor Theory is that if an employer or manager is trying to increase job satisfaction and ultimately job performance for an employee or coworker, they need to address those factors that effect one's job satisfaction. The most direct approach is to work on the intrinsic, job content factors. Giving the employee encouragement and recognition helps them to feel more valued.

RESEARCH METHODOLOGY

There has been a lot of study in the area of Motivation and Job Satisfaction still it remains unexplored to some extent and yet a general understanding has not been developed when it comes to studies conducted at different times and in different work environment. One of the greatest challenges organizations face today is how to manage turnover of work force that may be caused by migration of a lot of industrial workers. Therefore, it has become an important area of research that how to reduce turnover and absenteeism and improve performance of an organization. Moreover, it has been observed many a times that employees who are satisfied with their jobs are still not good performers. This may be because of their lack of Motivation and commitment for the organization. The purpose of this present study is to retest Herzberg's theory of job satisfaction using a questionnaire in light of the critical incident technique used in the original study.

As the research is descriptive in nature the study relies on primary data collected from employees from various sector. The survey was conducted at Shahraganj walk in and fun republic walk in. About 60 % of the employees are from the private sector and 40% from public sector. Primary data has been collected by the researcher through standard Structured Questionnaire. The questionnaire consists of 10 questions and all are 5 point likert scale based questions. The sample size of 200 is taken and convenience method of sampling is adopted.

TOOL USED

Chi – square test is applied to test the goodness of fit to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson's has developed a method to test the difference between the theoretical (hypothesis) and the observed value.

$(X2) = (O - E)2 / E$

Degrees Of Freedom $= V = (R - 1)(C - 1)$

Where,

'O' = Observed Frequency

'E' = Expected Frequency

'R' = Number of Rows

'C' = Number of Columns.

HYPOTHESIS

H0: There exist no significant relationship between Herzberg hygiene factors and job satisfaction

H1: There exist significant relationship between Herzberg hygiene factors and job satisfaction

Table showing relation between hygiene factors and job satisfaction

SI No.	Factors	Strongly	Agree	Undecided	Disagree	Strongly Disagree
1	Company Policy	86	57	12	24	21
2	Working Conditions	116	61	14	9	0
3	Technical Supervision	26	95	30	22	27
4	Salary	174	17	4	5	0
5	Status	53	73	5	40	29
6	Personal Life	55	92	17	33	3
7	Job Security	143	24	0	23	10
8	Interrelationship with peers, supervisors and Subordinates	47	65	22	44	22

Result of CHI SQUARE TEST

O	E	O-E	(O-E)2	(O-E)2/E
86	87.5	-1.5	2.25	0.03
57	60.5	-3.5	12.25	0.20
12	13	-1	1	0.08
24	25	-1	1	0.04
21	14	7	49	3.50
116	87.5	28.5	812.25	9.28
61	60.5	0.5	0.25	0.00
14	13	1	1	0.08
9	25	-16	256	10.24
0	14	-14	196	14.00
26	87.5	-61.5	3782.25	43.23
95	60.5	34.5	1190.25	19.67
30	13	17	289	22.23
22	25	-3	9	0.36
27	14	13	169	12.07
174	87.5	86.5	7482.25	85.51
17	60.5	-43.5	1892.25	31.28
4	13	-9	81	6.23
5	25	-20	400	16.00
0	14	-14	196	14.00
53	87.5	-34.5	1190.25	13.60
73	60.5	12.5	156.25	2.58
5	13	-8	64	4.92
40	25	15	225	9.00
29	14	15	225	16.07
55	87.5	-32.5	1056.25	12.07
92	60.5	31.5	992.25	16.40
17	13	4	16	1.23
33	25	8	64	2.56
3	14	-11	121	8.64
143	87.5	55.5	3080.25	35.20
24	60.5	-36.5	1332.25	22.02
0	13	-13	169	13.00
23	25	-2	4	0.16
10	14	-4	16	1.14
47	87.5	-40.5	1640.25	18.75
65	60.5	4.5	20.25	0.33
22	13	9	81	6.23
44	25	19	361	14.44
22	14	8	64	4.57
				490.96

Calculated value of χ^2 = 490.96

Tabulated value of χ^2 at α (p) = 0.05, & d.f. 28 = 41.333

Conclusion:

Since calculated value of χ^2 is much greater than table value of χ^2, we reject H0 and conclude that ; There exist significant relationship between Herzberg hygiene factors and job satisfaction.

CONCLUSION

The study has proved that there is a significant relationship between Herzberg's hygiene factors and job satisfaction. Herzberg's study was conducted keeping in mind certain predetermined assumptions with may or may not be applicable in all the situations. The employee criterion for job satisfaction is subjected to various personal priorities that ultimately determine how and in what manner the employee will react.

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BUSINESS ETHICS: RELEVANCE, INFLUENCE, ISSUES AND PRACTICES IN PRESENT GLOBAL BUSINESS SCENARIO

Rajiv Kumar Agarwal* Anurag Agarwal** Madhulika Rai***

ABSTRACT

Ethics is an everyday occurrence in as one's personal life as well as in corporate world. Business ethics examines ethical principles and moral or ethical problems that arise in a business environment. Due to the globalization of markets and production processes, an ever increasing number of marketers and business organizations have to deal with ethical issues in cross-cultural settings. This paper examines the relevance of business ethics in international business scenario. The ethical influence of globalization on different stakeholders like shareholders, employees, customers, suppliers, competitors, government and civil society has been studied. The ethical issues faced by organizations in international human resource management, international financial management, international marketing, production, and information and communication technology (ICT) have been scrutinized. Business ethical practices in global corporations like Wal-Mart, Coca-Cola, Nike, Texas Instruments, Infosys Technologies and Sony Corporation has been inspected. It comes out from the study that ethical business leadership is crucial for long-term success of the organization. The organizations should endeavor to provide value-based leadership to prosper. In the nutshell, this paper uniquely confluences the prominent disciplines like marketing, finance, human resource, production, ICT etc to establish the value of business ethics in emerging international business scenario.

Keywords - Business ethics, globalization, ICT, international business

INTRODUCTION

The word ETHICS has come from the word ethos which means character or manner. In Latin it is called ethics and in Greek it is called ethikos. ETHICS may be defined as character, norms, morals and ideals prevailing in an individual or a group or the society at large. Ethics is a mass of moral principles or set of values about what conduct ought to be. Ethics may be defined as some standardized form of conduct which may be used to determine what is right or what is wrong, what is true or what is false, what is just or what is unjust, what is

proper or what is improper and what is fair or what is unfair. The purity of behavioral responses is a reflection of the character of a person. Many people have the conception that Ethics were invented by some religion and/or philosophy. It is just a misconception. In fact, ethics were not invented by any religion or philosophy. Ethics were there much before religion or philosophy were invented just as Gold was there much before economic systems e.g. barter, money etc were invented to use gold; and animals existed before zoology was invented to study them. Ethics and morals are rather the sources of religion and/or

philosophy. Hence, it is also true that ethics were there much before entrepreneurship was started. Ethics and morals are the eternal truth. As such, without due consideration to Ethics and morals, no entrepreneur can achieve the ultimate success. ?Ethics may be defined as some standardized form of conduct which may be used to determine what is good or what is bad, what is right or what is wrong, what is true or what is false, what is just or what is unjust, what is proper or what is improper, what is fair or what is unfair and what should be done and what should not be done (Banik, 2008). According to en.wikipedia.org/wiki/Ethics, ?Ethics (also known as moral philosophy) is a branch of philosophy which seeks to address questions about morality; that is, about concepts like good and bad, right and wrong, justice, virtue, etc. A person's true character eventually will always show through in the manner in which they conduct themselves in every aspect of their life

Concept of Ethical Dilemma

Ethical dilemma refers to the situation where it is very difficult to choose what is right and what is wrong. In such a situation, there are significant value conflicts among different interest groups and at the same time, the alternatives seem to be equally judiciable.

In this connection, the recent Singur case may be cited as an appropriate example. The Singur farmers were protesting against the forced acquisition of their lands by the government. Such forced acquisition was to help Tata's latest dream project i.e. building India's "one lakh car" (100,000 rupees or just over $2000) to become a reality. Here, on one

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side, there was the interest of the poor farmers and at the same time, on the other hand, it was Tata's latest dream project.

Although, Tata has cultivated, and now enjoys, an outstanding image in India, and beyond, of being a socially responsible group and besides all the usual business innovations and consistent growth, Tata's name is associated with nation building, ethical practice and philanthropy; but when the Singur farmers' interest was projected, Tata's name was reflected just as a villain. Managers and small business owners are often at a disadvantage when faced with an ethical business dilemma. Whereas their corporate counterparts may be guided by a company code or an established corporate culture that safeguards them from having to make morally significant decisions alone, the small business owner-manager has no such backstop (Robinson, 2006). At the very least, corporate managers have a person higher up the hierarchy that they can refer to, but the small business owner-manager must often face the stark reality of a dilemma all alone.

In the case of Ethical Dilemma, the following Ethics Checklist" recently posted in website by Michael Fortin may be found relevant. It was submitted by a student of his, Darrin Clement. It firmly supports the role of Ethics in a person's long term business success.

Darrin's Ethics Checklist

1. **The Golden Rule:** Would I want people to do this to me?
2. **The Fairness Test:** Who might be affected and how? Is this fair to everyone?
3. **The "What if everybody did this?" Test:** Would I want everyone to do this? Would I want to live in that kind of world?
4. **The Truth Test:** Does this action represent the whole truth and nothing but the truth?
5. **The Parents Test:** How would my parents feel if they found out about this? What advice would they give me?
6. **The Children Test:** Would I be willing to explain everything about this to my kids and expect them to act in the same way?
7. **The Religion Test:** Does this go against my religion?
8. **The Conscience Test:** Does this go against my conscience? Will I feel guilty?
9. **The Consequences Test:** Are there possible consequences of this action that would be bad? Would I regret doing this?

Need of Business Ethics

(i) Ethics helps the Market do its best

200 years back Adam Smith has said in his book wealth of Nations "Our system of capitalism does not work well unless it has moral cooperation of its participants.

Every time we bribe or use corrupt practices we lower down the efficiency of market to generate true wealth as decision in such cases are not based on price and quality but on other consideration. Wall Street magazine quoted Japan's secret weapon of success as courtesy.

Even a low paid employee can harm a billion dollor organizations by being rude to customers. Companies like Procter & Gamble uses more than 800 toll free telephone booths merely to allow the customers to give complaints freely. Honesty of Taxi Drivers and others involved in Hospitality services of Singapore is considered a major factor in promotion of tourism of that country and they are specially trained. on ethics values and etiquettes.

Tata's- credibility has been rated very high the world over because it started joint consultative process, and supported their employees with measures like education; housing and medical and other welfare facilities much before the law was created in India.

In a business round table report in USA, the myth about the contradiction between -ethics and profit got thoroughly debunked by the attitudes and actions of top managers who stated that good reputation for fair and honest business is a prime corporate asset that all employees should nurture with greatest care. It does not hurt to be ethical.

(ii) Law cannot alone protect society but Ethics can

No regulation can go to a deep extent where ethics can. Technology races ahead much faster than any Government can regulate. People in Industry only know better of any technology than Govt.

In the well known Chiso corporation case at Minimata Japan, mercury was dumped in the water along with effluents which got absorbed by fishes and finally eaten by human beings leading to eye and birth defects. While the lawyer could establish in the court that there was no violation of norms prescribed by the Govt. the corporation was held responsible on moral grounds and bad to suffer a lot.

Law only speaks of a minimum. Of course the Govt. in most of the countries are getting awakened at a faster rate with stringent punishment for violation of norms or adoption of non desired behaviors by business and organizations but the issue can only be handled fully by ethics and morality.

(iii) Ethics is good in itself

Following ethics give one courage, satisfaction, peace and leads to overall growth and harmony in society. Gandhiji has said that if you treat your employee merely an object as a means to make profit you are basically demeaning the humanity. Gita the holy book written to guide us in our actions says that we should act without carving for outcomes.

In Christianity the concept if stewardship has a meaning that we do not own properties but act as steward so that others can benefit. Fairness has to be consistent. If a father punish his child for stealing the pencil of his class fellow but brings-one from his office he is not consistent and hardly provides a good example of ethical behavior. There are well known example of Indian Business Organizations who failed due to not following the ethics or the owner has to face humiliation and close his business

Importance of Business Ethics in Present Scenario

New Products

A. Are all products needed Plastic bags
B. Do people know its safe use - Pesticides?
C. Do they deliver what they promise?
D. Are there any side effects / long term repercussions.
E. What is its impact on environment / natural resources?

Affluence

Are the rich not becoming richer and can a society live in harmony by the exploitation of poor.

Marketing techniques

A. Marketing cost is going up.
B. Desire to win at all cost. It is not leading to bribes, corruption.
C. Harmful advertisement - Imagine the 3 years old Lucknow child who jumped from a building after seeing an advertisement of a famous cold drinks in order to fly like the hero.

Customer getting more educated

Today can you fool a customer by hiding relevant information?

Litigation Cost

Just image the cost Union Carbide had to pay for Bhopal Tragedy.

Changing business relationship

A. Dealing with unknowns across the globe.
B. Use of Internet avoiding face to face dealing.
C. Need for more trust and a better brand name.

Rising Personal Expectations

A. Customer want better product at low cost.
B. Need for continuous improvement.
C. Employees want respect and dignity.
D. Stockholders want more voice.
E. Management wants to be trusted.
F. Environmentalist wants better control.

Resources Scarcity

A. Increased role of business in public life.
B. All business is now becoming a public affair with public money and for benefit of public at large.
C. Social audit of business.
D. Professional codes of ethics for all emerging.
E. Business ethics is a global phenomenon today.

International Trade

The corporate leaders and senior managers working with every global organization are facing various dilemmas and concerns spamming various disciplines like marketing, finance, human resource, production etc. Ethics present solutions to overcome these dilemmas and concerns.

Ethics is an important aspect in life of individuals as well as businesses. It attempts to distinguish right from wrong and good from bad. It constitutes desirable conduct in a particular set of social circumstances, prescribes moral codes, norms, beliefs and practices.

Business or corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It is a specialized area of moral right and concentrates on application of moral standards to business institutions and organizations. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.

Emergence of Globalization

Globalization is a phenomenon that has led to the integration of regional economies, societies, and cultures through communication, transport and trade. It is closely linked with economic globalization that stands for the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology and military presence. However, the phenomenon of globalization is usually driven by a combination of economic, technological, socio-cultural, political and biological factors.

Globalization includes internationalization, liberalization, universalization and westernization, which crosses the boundaries of nations. Globalization has led to internationalization of business processes. Europeans countries and USA have many migrant workers from India, Africa, the Middle East and Far East. Cross-border movement of people is becoming easier. So, it becomes important to deal with ethical issues in cross-cultural settings.

Ethical Influence of Globalization on Stakeholders

Business ethics propel the stakeholders of company towards higher level of performance. Globalization provides an enabling environment in this endeavor. Shareholders, employees, customers, suppliers, competitors, government and civil society are considered as stakeholders of businesses. Ethical influence of globalization on stakeholders is described below:

Shareholders

A shareholder's perspective of business ethics focuses on making decisions for the best interest of the company's investors. Ethical shareholders tend to take greater responsibility for the profitability of the company.

Employees

Globalization provides better opportunities to the employees. Ethical conduct enables them to integrate their personal goals with goals of organization.

Customers

Globalization enables greater product variety to customers. They get cheaper products but learn to use them responsibly.

Suppliers

Globalization enables suppliers' better connectivity with their customers. Ethical suppliers supply higher quality products and seek long term profitability.

Competitors

All the competing companies get wider market. The can also engage in collaborations in mutually beneficial areas.

Government

Globalization enables collaborations among governments across the globe. The government can provide better services to citizens, check corruption and enable transparency in processes.

Civil society

Due to increasing connectivity caused by globalization, civil society is better aware of the problems of the populace and can rapidly take up issues with the pertinent authorities.

Ethical Issues in International Functional Areas

As businesses have become increasingly internationalized, ethical issues have emerged in international functional areas of businesses. The ethical issues faced by organizations in international human resource management (HRM), international financial management, international marketing, production, and information and communication technology (ICT) are presented in Table 1.

Table 1 Ethical Issue in International Functional Areas

Areas	Issues
Production	This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Defective, addictive and inherently dangerous products and services (e.g. tobacco, alcohol, weapons, motor vehicles, chemical manufacturing, bungee jumping) are not ethical practices in production. The company should also maintain a harmonious relationship with the environment. It is important to deal with ethical issues caused by new technologies like genetically modified food, mobile phone radiation, health etc. Certain other ethical issues are use of animals and disadvantaged groups as test objects.
International financial	The primary goal of management is wealth maximization for the shareholders. There is little direct support that ethical behavior leads to shareholder's wealth maximization.Indirect studies have also not found any substantial relationship between corporate financial performance and social responsibility. But for long term sustainability, organizations should engage in ethical practices. Fairness in trading practices, trading conditions, financial contracting, sales practices, consultancy services, tax payments, internal audit, external audit are the areas in which ethical financial practices need to be followed. Other important areas are creative accounting, earnings management, misleading financial analysis, insider trading, securities fraud, bucket shops, forex scams etc .
ICT	The internet, private exchanges, global satellite linkages, RFID and other forms of new technology hold great promise in terms of allowing global supply chains to operate more efficiently and provide faster response to demand. However, these new technologies also present some cultural and ethical challenges to firms operating in the global environment. There may be varying views among countries on goals, decision-making approaches, information sharing and trust and many other cultural differences.
International marketing	In international marketing, the needs and wants of various groups vary, which leads to ethical conflicts. Most ethical issues are related to marketing policies, communications, pricing approaches and distribution practices. The specific ethical issues are: prudence of targeting vulnerable sections for consumption of redundant or dangerous products/services, transparency about source of labor, fair treatment and fair pay to employees, product or service transparency, appropriate product labelling, product/service safety and liability, truthful and honest advertising, fair pricing and distribution, forthrightness in selling etc. Ethical behavior by a company in these areas leads to positive attitudes in customers about company, its products and services.

International human resource management	Globalization has presented complex challenges for international HRM. Due to cultural differences, the commitment between employer and employees has become fuzzier A significant. challenge formanagement is to maintain objectivity in hiring, promotion, and compensation. Child labor has emerged as a complicated issue. Other important issues include discrimination, fraud, and sexual harassment. Since past decade and half, companies like Nike, Kmart, JC Penny, Reebok, Levi Strauss, The Gap etc have been trying to overcome these issues but lot of progress needs to be made

Ethical Practices in Global Corporations

A global organization must not only understand the values, laws, culture and ethical standards of its own country but should also be very sensitive to other countries where its subsidiaries are operating. The ethical practices in global corporations like Wal-Mart, Coca Cola, Nike, Texas Instruments, Infosys Technologies and Sony Corporation are presented in Table 2.

Table 2 Ethical Practices in Global Corporations

Corporation	Area	Ethical Initiatives Wal-Mart
	Environment	• Adopted energy conservation measurers
		• Launched lighting efficiency program
		• Started program for recycling of materials
Coca-Cola	Philanthropy	• Launched program called "Education on Wheels"
		• Started American Indian College Education Fund
	Health	• HIV/AIDS awareness campaigns in Africa
	Marketing	• Relationship marketing with stakeholders
Nike	Social responsibility	• Adopted ethical code of conduct
	Marketing	• Launched innovative products
	Human resources	• Created ethics office headed by ethics director
Texas Instruments	Environment	• Launched program for zero wastage of resources • Adopted recycling of materials
Infosys Technolo-ogies	Corporate social responsibility	• Strictly compliance with the laws all countries • High degree of disclosure and transparency
Sony Corporation	Corporate governance	• Management trustee for shareholders not for owners • Created committees for compensation and audit • Created office of independent directors • Launched equity compensation plans
	Code of ethics	• Based on respect for human rights • Stresses integrity and fairness in business • Focuses on ethical personal conduct
	Communication	• Launched internal hotline system • Education of employees about code of ethics
	Crisis management system	• Adopted a 3-tier crisis handling mechanism
	Anti-social elements exclusion	• Adopted mechanism for anti-money laundering

Conclusion

Many business houses have collapsed just due to unethical practices. Whereas some are still the leaders in the business world just because of their strict quality control and strong base of ethical practices. No organization can exist and function for long except on moral foundations. In the broadest sense, ethics can provide the basic rules or parameters for conducting any activity in an acceptable manner. An entrepreneur must be aware of what are the moral and immoral activities in a business and accordingly pay good heed to his workings in the organization which shall be kept free from all sorts of immorality. He must pay great attention to keep the organization free from any kind of immoral activities in the fraudulent and misleading world of today.

Business ethics present pertinent solutions to the concerns and dilemmas faced by global organizations. Ethical leadership is essential for the long-term survival and success of any organization. In the era of globalization,

business ethics considerably influence shareholders, employees, customers, suppliers, competitors, government and civil society. Organizations should focus on the ethical issues faced by them in various functional areas like marketing, finance, human resources, production, ICT etc. The commendable work done by global corporations in inculcating and practicing business ethics underscores the importance of value based leadership in international business scenario.

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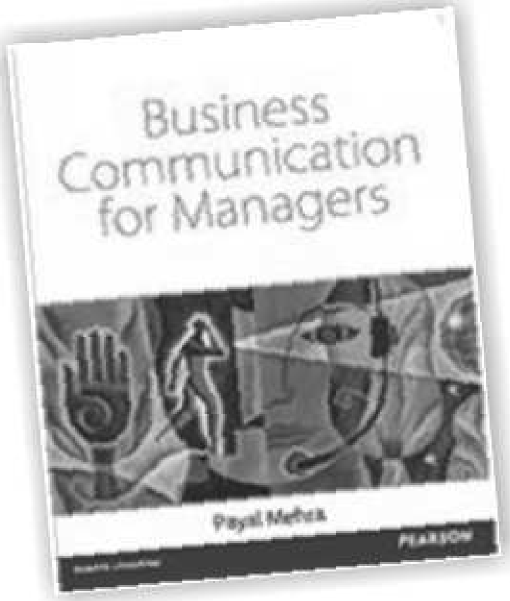

Business Communication for Managers

By Payal Mehra

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Reviewer	:	Dr Neetika Arora Bajaj Assistant Professor, RKGIT, Ghaziabad

The fast changing scenario in business demands a perfect communication text that reflects uniniqueness in several dimensions so as to encourage the readers to get into details of the aspects which affect their day to day lives and the business worlds. Effective Communication is essential for the survival and progress of a business concern. One should be smart enough to craft meaningful and persuasive messages and business correspondence and using new media to get messages across. Good Communication contributes to better service, removes misunderstandings and doubts, builds goodwill, and promotes the business whereas on the other hand a poor worded message may lead to unfavourable responses.

The book comprises of 14 chapters. Chapter 1 provides an introduction to Business Communication. It covers various aspects of Communication like goals, process, methods and communication networks. It discusses about seven cardinal mistakes that generally, managers make and at the same time recommends some factors that facilitate Effective Communication. Chapter 2 enables a reader to obtain a deeper understanding of communicative events. This is especially useful for researchers and scholars. The main highlight of this chapter is Semiotics which is considered to be the theory of production and interpretation of meaning. Chapter 3 focuses on Interpersonal Communication and Chapter 4 covers the analysis of such transactions. The theory of transactional analysis can be incorporated in the teaching of business communication in the classroom. Chapter 5 guides to understand tools that help analyse complex business situations and emphasize on writing persuasive documents. The book guides its readers to communicate effectively in diverse work environment and also during crisis through its Chapters 6 and 7. The differences between meetings, presentations, speeches, lecture and talks are very much clear from Chapters 8 and 9. The essentials of ethical business writing are discussed in Chapter 10. Business writings should be tailored to meet the audience's needs and expectations; this can be easily learned from Chapter 11 and 12. In business world, Report planning and writing plays a significant role. Various styles of Report Writing have been discussed in Chapter13. The last Chapter prepares the readers for designing recruitment related correspondence.

Each chapter consists of Information as well as Communication Bytes highlighting recent trends of communication in present business scenario. The book also encompasses Web-based Exercises for students as well as managers. Extensive role plays have been provided at the end of the book that is designed to help students apply their theoretical business communication knowledge to practical workplace situations. It also gives an opportunity to the readers to asses and uses their knowledge at the end of every chapter. This book covers all the major topics which are taught as part of the Business Communication course in management schools around the country. The book may have also incorporated some case studies from real world. The book serves the needs of Management students as well as professionals and would prove as an ocean of knowledge and learning for both of them.

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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.

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