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# Editor's Message

Dear Readers,  
Greetings!!

It gives me immense pleasure to bring the Second issue of **ANVESHAK—** A Bi-annual Peer Reviewed International Journal of Management (AIJM) with ISSN: 2278-8913.

The journal publishes multidisciplinary research by scholars from different places. The aim is to encourage authorship and collaborative research. This is a quality academic journal which uses blind peer review with rigorous evaluation criteria, fully vetted through an editorial board comprising of accomplished scholars, representing a wide range of scholarly achievements. I am extremely proud of our board members and fortunate to be able to draw upon their individual and collective knowledge, talent, judgment, and disciplinary backgrounds to advance the journal to the entire world. It is published biannually in print form.

The current issue has covered reports on challenges to the world economic growth, impact of advertisements on children, study of telecom products, micro finance, study of new banking norms, managing service quality and business excellence through TQM. On the other hand, it includes articles on language structure and skills, role of Cinema in healing and reconciliation of society, managing human resources, maintaining work-life balance, managinglabour relations and their productivity for organisational excellence.

This issue also includes a review on “Merchants of Philanthropy”, a book written by Noshir Dardawala, a leading corporate head in India. The book speaks about how leading corporate families have inculcated philanthropy in their families irrespective of profit or tax benefits. It also mentions how they get a great sense of satisfaction in fulfilling a social obligation. There are two types of CSR in India: one is cheque book philanthropy and the other is active engagement with NGOs and helping them with marketing, communication, and strategic needs.

In present times that are full of turmoil and politically instigated unrest, these articles will help to communicate effectively and mitigate certain unpleasant events that impact us negatively.

I thank all the authors for their contribution! There has been an overwhelming response from many parts of the world and this indicates the amount of collaboration the journal will enjoy in its subsequent issues. The journey of faith has been long but sure. Starting small but with an intention of growth at exponential rate, AIJM will circulate world-wide and network with major development conscious organizations and stakeholders.

Thank you!

**Dr. Poornima Tapas**  
*Executive Editor*

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# A Study on Increasing Establishment of Superstores in Bangladesh with Special Reference to Dhaka City

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**Abstract**—*The study aims to explore the reasons of increasing establishment of superstores in Bangladesh with special reference to Dhaka city, the capital of Bangladesh. The study is exploratory in nature. Both primary and secondary data and information have been used for the purpose of the study. Secondary data and information have been collected and analyzed from published books, various articles published in refereed journals, research monographs, annual report of Bangladesh Supermarket Owners' Association (BSOA), reports published in daily newspapers and websites of different superstores. Primary information for the study have been collected from 5 superstores of Dhaka city as sample selected through convenience sampling technique, such as Agora, Meena Bazar, Shwapno, Prince Bazar, Nandan Mega Shop using a semi-structured questionnaire. The study finds out that because of quality of products and comfort of shopping in the superstores, popularity of such stores is scattering in higher middle class and middle class people of Dhaka city. Educational competency of employees to refrigeration system for perishable goods is also one of the most attractive factors to the customers to choose the superstores in their buying decisions. However, most of the marketers have established superstores due to the increasing number of population of the locality and the increasing demands for fresh products with hassle free shopping. In future, marketers will establish more superstores and they will serve not only the higher income but also the lower income group of customers in Bangladesh. Therefore, marketers should ensure the expected value for the consumers formulating and implementing proper marketing strategies with the rapid expansion of such business. Thus, superstores will be able to contribute to the customers as one of the most profitable service industry in Bangladesh in near future.<sup>1</sup>*

**Keywords:** *Superstore, Retail store, Hassle free shopping environment, Dhaka city.*

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## INTRODUCTION

Bangladesh is a developing country with its potentiality as emerging country in near future after the BRICs (Brazil, Russia, India and China) countries. At

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<sup>1</sup>Senior Vice-President, Academic Accreditation, International Institute of Marketing Professionals (IIMP®) [www.theiimp.org], Brampton, Ontario, Canada; Research Fellow, Center for Marketing Science (CMS) [www.cmsbd.net], Dhaka, Bangladesh and The Indian Institute of Advance Research in Trade & Commerce (IIARTC), Meerut, U.P., India

present, the population of this country is about 160 million and the yearly per capita income is about US\$ 1585 (adjusted for purchasing power parity) (Ramesh *et al.*, 2012). Retailing industry in Bangladesh is fragmented and undeveloped. Even compared to its South Asian counterparts, Bangladesh is behind in terms of development, structure and organization. However, the modern and organized large retail stores like superstores are new in Bangladesh and started to appear in 2001 establishing the first superstore, 'Agora' in Dhaka city by Rahimafrooz (Bangladesh) Limited. But within the last one decade, superstores have attracted investors, developed positive perceptions among the publics and created government attentions. Now these stores are growing dramatically in Bangladesh especially in Dhaka city. At present, there are about 50 superstores operating in the country, the majority of which are located in Dhaka and these stores make up 1% of the total retail sector in Bangladesh. Ownership of all major superstores is private limited company, owned by local retailers except one, which is a joint venture and another is in Australian ownership.

Dhaka is the *capital* of *Bangladesh* and the premier city of *Dhaka Division*. It is a *megacity* and one of the major cities of South Asia. It is located on the banks of the *Buriganga River*. (<http://en.wikipedia.org/wiki/Dhaka>). According to the report of World Bank (July 30, 2010), at around 15 million inhabitants, Dhaka is the 8<sup>th</sup> largest city in the world and projected to become the 3<sup>rd</sup> largest by the year 2020. The population is growing by an estimated 4.2% per year, one of the highest rates amongst Asian cities (McGee, 2001. [http://en.wikipedia.org/wiki/Capital\\_city\\_of\\_bangladesh](http://en.wikipedia.org/wiki/Capital_city_of_bangladesh)). According to UN report, the number of population was 10.7 million in 2007, 17 million will be in 2012 and after its 10 years in 2025, this population will be 22.5 million at the 6% population growth rate per year in this megacity of Dhaka (Islam, 2012). The continuing growth reflects ongoing migration from rural areas to the Dhaka urban region, which accounted for 60% of the city's growth in the 1960s and 1970s. More recently, the city's population has also grown with the expansion of city boundaries, a process that added more than a million people to the city in the 1980s (McGee, 2001. <http://www.prb.org/Articles/2001/UrbanizationTakesonNewDimensionsinAsiasPopulationGiants.aspx>). According to *Far Eastern Economic Review*, Dhaka will become a home of 25 million people by the year 2025 (Davis, 2006; [http://www.atimes.com/atimes/Front\\_Page/HE20Aa01.html](http://www.atimes.com/atimes/Front_Page/HE20Aa01.html)). The literacy rate in Dhaka is also increasing quickly. It was estimated at 62.3% in 2001. The literacy rate had gone up to 72.7% by 2010, which is significantly higher than the national average of 56.5% (Banglapedia, 2006; <http://en.wikipedia.org/wiki/Dhaka>). The Dhaka city was founded

more than 1500 years ago, and passed from local to Mughal rule, and later to the British. It became the capital of East Pakistan in 1947, and later of Bangladesh following its independence in 1971. (<http://dhaka.com/s/dhaka/index6.html>).

Moreover, Dhaka is also the commercial heart of Bangladesh with having a growing *middle class* population, driving the market for modern consumer and luxury items of goods and services (Lawson, 2002). So, considering the over population and its growth, increasing needs of customers and the rising popularity of superstores in this expanded city of Dhaka, the present study aims to explore the reasons behind the rising establishment of superstores in Bangladesh especially in Dhaka city. As a result, marketers of such modern and organized retailing stores will be able to formulate and implement the effective marketing policies and strategies for retaining their customers for the long run with satisfaction and to make profitable the near future opportunities following the trends in retail business. However, international and multinational companies that are doing retail chain business of such superstores will have the chance to observe the specific and analytical reasons and insights of the study in order to set up retail business in this newly emerging country of the world.

## **LITERATURE REVIEW**

There is a dearth of sufficient studies and literatures in the context of superstores and their expansion in Bangladesh. As a result, only few available published literatures have been reviewed for laying out the problem statement and developing the purposes of this study.

Considering the future increasing demands of customers, organized retail business is increasing day by day with large volume of product categories and creating new opportunities for the business enterprises facing challenges. According to McTaggart (2004), competition and a fragmented state of the grocery stores are being faced with new challenges with the aggressive growth plans of super center. As a result, few considerable factors like range, price, expertise, convenience and experience have been recommended for retail business by McKinsey. Among these factors, price is comparatively much important factor in any business strategy in the dynamic business environment. Moreover, today's retailing has been revolutionized through online that have influence on investors and entrepreneurs to revamp accordingly to be effective with realizing the customer behavior. However, retailers should keep in their minds regarding price factor and the factors related to dramatize revolution (Gupta, 2007; Nagle and Holden, 2002).

Retail stores can be classified based on the amount of service they offer, the breadth and depth of their product lines, the relative prices they charge, and how they are organized (Kotler and Armstrong, 2010). However, retail stores emerge in all shape and sizes irrespective of their product line and relative prices, such as specialty stores, department stores, supermarkets, discount stores, category killers, superstores, convenience stores, and off-price retailers (Armstrong and Kotler, 2006; Gupta, 2007; Kotler and Armstrong, 2010; Jeevananda, 2011).

Farouk (1987: 1–3) has studied on traditional retail marketing in Dhaka city. The study has identified that in Bangladesh, the importance of retail business is increasing but there is no up-to-date information on this business. The study has also showed that maximum (88%) of the retail shops are owned by sole-proprietors, among the visitors to a retail shop, only about 50% of them make actual purchase, retailing as yet is on a small scale in Dhaka and retailers do not go for advertisement in the media very much, credit-sale has been found to some extent, only in few product lines such as industrial goods, grocery and stationery items, only a few retailers give emphasis on quick delivery, specialist service or trying to build trust among the customers, most of the surveyed retailers (61%) do not know the laws of and the rights of the consumers except only 50% surveyed medicine shop owners know such laws. Farouk (1987: 3) has also mentioned in this study, ‘Some retailers while stating problems in general, said that they were now bothered by shortage of capital, irregular supply of goods, lack of trained salesmen, the *Mastans* asking unauthorized subscription, problem of fake brands and the bargaining habit of the customers.’ So, analyzing his study, it can be pointed out that at present days, due to the existing problems of traditional retailing business, modern retailing like superstore has been expanded in Dhaka city and other divisional cities of Bangladesh.

Hasan (1979:33) has shown in his particular study that most of the women choose the brand themselves, i.e. none influences them at the time of purchase. According to the findings of the another study of Farouk et al. (1965: 21), ‘The influence of housewife increases in articles which they themselves use mainly; for instance, cosmetics, crockery, ladies clothing and feeding bottles etc.’ However, about one-third of the visitors to the retail shops are women and buying behavior of women is different from that of men (Farouk, 1987: 2). So, women can prefer to buy their needed branded products and other daily essentials from superstores easily and safely rather than traditional retail stores and even without going to wet markets and the grocery shops in Dhaka city.

In another study, Azad and Bhuiyan (1992) have identified the characteristics and problems of grocery retailing in Dhaka city. Their study has found that grocery trade is connected with various problems such as irregular supply, quality variations from time to time and shop to shop, price fluctuation, bargaining, adulteration, shortage of adequate capital, high cost of transportation etc. From analyzing the findings of their study, it can be assumed that there is a chance to switch customers from traditional grocery stores to modern superstores to buy their grocery essentials and other necessary items at a large space without any hassle.

Bachmann (December 26, 2008) stated a comprehensive report titled 'Supermarkets on the Rise' in The Daily Star, a daily newspaper in Bangladesh. He reported, 'Supermarket diffusion in developing countries has occurred in three waves, so far, starting in the 1990s with much of South America, East Asia (outside China) and South Africa. This was followed by a second wave in the mid-to-late 1990s, including Mexico, Central America and much of Southeast Asia. In the late 1990s and early 2000s, a third wave hit China, India and Vietnam. According to Thomas Reardon, a professor at the Department of Agricultural, Food and Resource Economics at Michigan State University, Bangladesh is part of a fourth wave that just barely has emerged in the last few years. Other countries at a similar stage are Cambodia, Bolivia and certain countries in West Africa. The American researcher feels it is likely that the diffusion of supermarkets will be quite slow for the fourth wave, compared to the first three waves. The reason is that the key socioeconomic changes necessary for a change in the retail environment are happening in Bangladesh at a pace much slower than, for example, in India. These changes acting as a driving force behind supermarket diffusion include increasing urbanization, increasing number of women working outside their home (which leaves them with less time for shopping of essentials), and increasing incomes per capita.' In his report, Bachmann, (December 26, 2008) also mentioned the estimates of Ashok Gulati, director of International Food Policy Research Institute (IFPRI) regarding the diffusion of supermarkets, 'It will probably take another decade or two, until supermarket diffusion in a country like Bangladesh is appreciable, meaning that roughly around 20 to 25 percent of retail sales are made through this channel. *'But the time for South Asia seems to have come,'* he (Ashok Gulati) adds. *'Just look at the expansion of Cargills Ceylon in Sri Lanka.'* That retailer has more than 120 food-supermarkets all over the country. In fact, Sri Lanka with a population of over 20 million people has 240 supermarkets, while Dhaka with its 15 million inhabitants does not even have 50 such stores.' (<http://www.thedailystar.net/newDesign/news-details.php?nid=68728>). Though superstore was not established so quickly

in Bangladesh, the first supermarket started in Dhaka city was Agora owned by Rahimafrooz (Bangladesh) Limited in 2001. But within the last one decade, there are few worth mentionable superstores were also established such as Meena Bazar, PQS, Fresh N' Near, Nandan Mega Shop, Shwapno, Prince Bazar, CENTEL, Pacific Super Center, and B2K Shopping Mart.

Due to increasing demand from the customers, the current market players of the superstores of Bangladesh are planning to open several hundred more outlets in the next few years. According to Bangladesh Supermarket Owners Association (BSOA), the current annual sales growth rate of superstores is 15% to 20%, annual turnover is now more than BDT 15.0 billion (1500 crore) by about 30 companies with more than 200 outlets operating across the country in this growing business sector. The pace of expansion of the existing key-players in the supermarket business has been rather slow. Agora, Meena Bazar, Nandan and PQS have no more than a handful of stores. Many superstores plan to expand their business, but quite a few difficulties arise when launching a superstore-chain in Bangladesh. From the all existing, Dhaka based Agora now operates 4 outlets, Meena Bazar 9 including 7 in Dhaka, PQS 5, Prince Bazar 2, Nandan 5 and Shwapno 70 including 30 outside the capital. Bangladesh Rifles (BDR) [presently named Border Guards Bangladesh (BGB)] also runs 11 stores in the capital. However, more than 600 retail chain outlets are expected to be set up in the next five years in an attempt to attract more customers. (Munni, March 05, 2010, <http://bangladesheconomy.wordpress.com/2010/03/05/superstores-eye-boom-time-ahead/>).

According to the report titled 'Agora Takes over PQS' published in The Daily Star, Akter (July 26, 2011) mentioned, 'Rahimafrooz Superstores Ltd. that operates supermarket chain Agora has acquired PQS, another renowned brand. From August 1, all five PQS outlets across Dhaka city will be operated under the brand name of Agora. Now the number of Agora outlets will be 10.' The report has also identified that the Agora has aimed to enhance the volume of the low margin business with a more strong supply chain and trained staffs by such expansion of its retail chain. (<http://www.thedailystar.net/newDesign/news-details.php?nid=195840>)

Parvez (March 10, 2009) has written an analytical report on the increasing establishment and spreading out of supermarkets in Dhaka city in The Daily Star titled 'Supermarkets to Spread out' analyzing the comments and opinions of the key officials of different superstores. He mentioned in his report, 'Supermarket biggies have attempted a massive

expansion drive this year to catch up more shoppers who still depend on unorganized wet markets to buy their essentials. The rise in supermarkets, according to analysts, will diversify consumer choices and boost consumer spending needed for economic growth, while the wet markets will also witness an improvement in quality and services on increased penetration of supermarkets. According to operators, 29 more chain retail outlets are expected to come up this year in an attempt to rope in more customers. Major expansion drive has been taken by one of the leading local conglomerates, ACI. Its concern ACI Logistics is poised to open 17 outlets in the months to May under the brand name of Fresh N' Near. Meena Bazar is set to add five outlets this year to its existing eight, while Rahimafrooz Superstores will add four, and Nandan Mega Shop three in the same year. *'We feel that customers are ready because of changes in their lifestyle, preferences and needs. We want to offer a neighborhood experience to consumers by opening more outlets,'* said a senior official of ACI Ltd. ACI, which made debut in chain supermarket business in mid-last year, has already opened three outlets, thanks to the enterprising spirit of a few big business houses that pioneered in bringing dynamism in the once-overlooked retailing of perishable and fast moving consumer goods. Local businesses are set to expand branches at a time when some foreign investors such as Bangkok-based retail and hospitality group CENTEL wants to enter the segment. But a decade ago, the trade was in the hands of thousands of small retailers in the wet markets and grocery shops in cities and remained out of the focus of business conglomerates. The landscape began to change after 2000 as Rahimafrooz Superstores, operating company of Agora, began to catch up a slice of retailing and wholesale trade, which has been growing annually by more than 6 percent on an average and contributing over 13 percent to GDP since 1999–2000 fiscal year. In the last eight years, many small and big supermarkets made debut in the trade to attract middle and upper middle class consumers, a section of whom are shifting to the chain stores from the wet or kitchen markets. *'Consumer confidence is increasing and that's why many are planning expansion,'* said Kazi Inam Ahmed, Chief Executive of Meena Bazar, a concern of Gemcon Group that operates through eight outlets with six in Dhaka. Inam said five more outlets would be opened this year. *'The whole business is based on volume. The more is the sales volume, the more is the possibility of making profit,'* he said. Supermarket operators said a rise in the organized retailing would offer consumers hygienic foods at competitive prices compared to those of unorganized retailers in the kitchen markets where commodities are sold mostly in unhygienic manner. *'It's a business to connect consumers with*

*better products and prices, and create a market for local manufacturers,' said Inam. Mahmud Ur Rahman Shakeb of Nandan Mega Shop said the company plans to open three more stores this year to increase the number to six. 'It's a good sign. Expansion of outlets will boost consumer confidence and help create market for manufacturers,' said Niaz Rahim, managing director of Rahimafrooz Superstores, which has now four Agora branded stores. 'Once the supermarket culture is established, commodity market prices will see stability,' he said.' (<http://www.thedailystar.net/newDesign/news-details.php?nid=79168>)*

'Organized retailers in the country are focusing more on strengthening their backward linkage supply chain, a challenge faced by retail chain shops for products availability. As the superstore concept is not very traditional the superstore biggies have failed to grow accordingly mainly due to proper and sufficient supply chain management, top retailers said. The most organized and disciplined retailers are trying to maintain their own supply chain management to bring fresh and quality products to the store in urban area from root level farmers directly.' (Munni, October 30, 2010. [http://www.thefinancialexpress.bd.com/more.php?news\\_id=116089&date=2010-10-30](http://www.thefinancialexpress.bd.com/more.php?news_id=116089&date=2010-10-30)).

From the above analysis, except few reports published in the daily newspapers, the earlier academic researchers in their previous studies have not explored the nature and the causes of rising of superstores in recent years in Bangladesh. Rather in previous studies, they have studied only on traditional retailing and the relevant factors that affect this business extensively in Bangladesh. So the present study has emphasized on not only the superstores as modern and organized retailing business but also exploring the potential reasons behind their rapid increasing in Bangladesh especially in Dhaka city.

## **PROBLEM STATEMENT**

Most of the superstores are located in Dhaka city and few superstores are in small scale at other divisional cities of Bangladesh. People from various walks of life are living in Bangladesh especially in Dhaka city. Their life styles vary a lot. Some of them choose to do shop from near by traditional local marketplaces while others choose to buy their utensils from superstores. So, the city of Dhaka has been observing a booming in the number of superstores operating inside the city. Various factors are contributing to the increasing number of superstores. The factors contributing to the increasing number of large retail stores have not explored

properly yet in Bangladesh. This has motivated the author to conduct a study to explore the factors or causes that are contributing to the increasing number of superstores in Bangladesh especially the city of Dhaka.

### **OBJECTIVES OF THE STUDY**

The main objective of the study is to explore the reasons *of increasing establishment of superstores in Bangladesh especially in Dhaka city*. For attaining the main objective of the study, the specific objectives are as follows:

- i. To explore the demand of products of superstores in Dhaka city.
- ii. To know about the target customers of superstores, the types of product and the availability of products in superstores.
- iii. To explore the pricing policy of superstores.
- iv. To know about the quality of products of superstores offered to the customers.
- v. To recommend to the marketers to develop and implement the effective marketing strategies, and to the policy makers in order to take the effective role and immediate steps for healthy growth of superstores in Bangladesh.

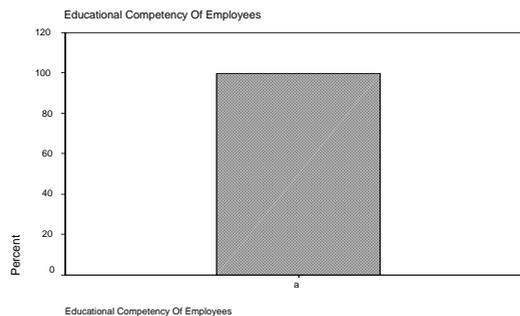
### **METHODOLOGY OF THE STUDY**

This present study focuses on Bangladesh especially the city of Dhaka considering the over population and the real nature of the expansion of superstores in such developing country. The study is exploratory in nature. Both primary and secondary data and information have been used for the purpose of the study. Secondary data and information have been collected and analyzed from published books, various articles published in refereed journals, research monographs, annual report of Bangladesh Supermarket Owners' Association (BSOA), reports published in daily newspapers and websites of different superstores. Due to rising the popularity of superstores mostly in Dhaka city of Bangladesh, primary data and information for the study have been collected from 5 superstores of Dhaka city as sample selected through convenience sampling technique, such as Agora, Meena Bazar, Shwapno, Prince Bazar, Nandan Mega Shop using a semi-structured questionnaire (open-ended and close-ended) and visiting 4 outlets of Agora at Gulshan, Dhanmondi, Moghbazar and Mirpur areas, 9 outlets of Meena Bazar at Shantinagar, Moghbazar, Shamoly Ring Road, Asad Avenue, Azimpur, Mirpur, Dhanmondi, Banani and Uttara Sector-11, 4 outlets of

Shwapno at Postogola, Wari, Dhanmondi and Mirpur areas, 2 outlets of Prince Bazar at Mohammadpur and Mirpur areas, and 6 outlets of Nandan Mega Shop at Dhanmondi, Gulshan, Baridhara, Kakrail, Mirpur, Uttara Sector-6 areas of Dhaka city. Managers representing these superstores have filled up the questionnaire as respondents to provide the information for this study. However, observation method has been used for gathering information from the outlets of these superstores. Bar chart and percentage using SPSS software have been used to analyze the required data in this study.

## DATA ANALYSIS

For identifying the reasons behind the increasing establishment of superstores in Bangladesh especially in Dhaka city, specific questions have been asked to the respondents focusing on educational competency of employees, negotiation over the price of products, supply chain system of the organizations, pricing policy of the superstore, selling policy of the superstore, types of products, superstore condition, refrigeration system for perishable goods, daily sales of the superstore outlet, target customers of superstores, and mostly attractive ingredient that cause formulation of the superstores. Finally, the collected data and information from the respondents of five superstores have been analyzed qualitatively one by one according to their percentages in the following:



**Fig. 1: Educational Competency of Employees**

Source: Field Survey

## Interpretation

Figure-1 reveals that 100% of the respondents have replied 'Yes' when it has been asked them, 'Are the employees in your superstore educated?' (See answer 'a' of the question no. 1 in the Appendix). Moreover, according to the opinions of respondents, this educational competency shows that sales people of the stores are gentle, and they know how to behave with

customers. The employees have also knowledge and efficiency to use the refrigeration system of superstores for keeping fresh and ensuring quality of the perishable items. However, respondents also informed that in traditional markets or ‘bazar’, which is called in Bengali, and retailers, i.e. most of the sellers are illiterate and they do not know how to behave with customers. Therefore, superstores popularity is now gradually increasing. In these modern days, where many women go to shops to buy household goods, the superstore is now the first choice to them.

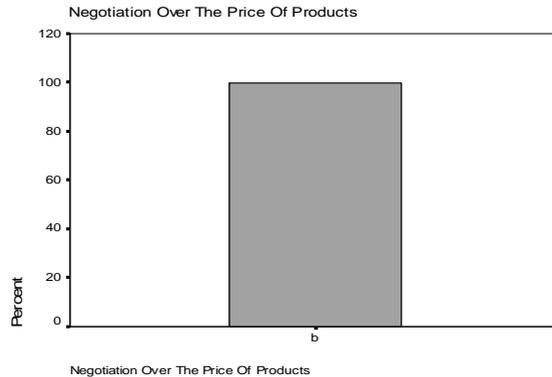


Fig. 2: Negotiation over the Price of Products

Source: Field Survey

### Interpretation

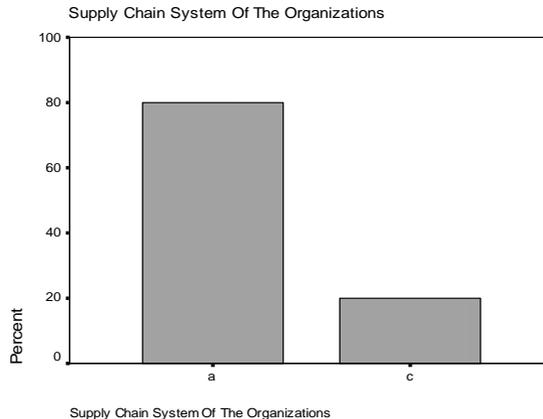


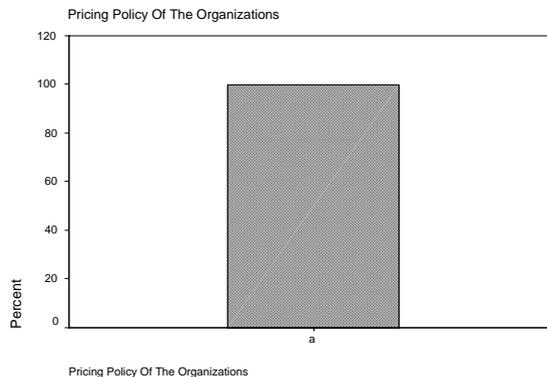
Fig. 3: Supply Chain System of the Organizations

Source: Field Survey

Figure-2 shows that 100% of the respondents have replied 'No' when it has been asked them, 'Do you allow bargaining or negotiation over the price of products in your superstore?' (See answer 'b' of the question No. 2 in the Appendix). Moreover, they informed that the superstores maintain fixed price for their products and there is no hassle of bargaining. On the other hand, in traditional markets price is not fixed, therefore, sometimes negotiation over the price of a product creates disgusting condition and misunderstanding among buyers and sellers. For this reason, demands for superstores are gradually increasing day by day.

### ***Interpretation***

Figure-3 reveals that 80% of the respondents have answered 'Direct importers and distributors for foreign product and distributor for local product' and 20% of the respondents answer 'direct importers and distributors for foreign product and distributor for local product and their own produced products' when it has been asked them, 'Which supply chain system do your superstore use?' (See answers respectively 'a' and 'c' of the question No. 3 in the Appendix). On the other hand, traditional markets and retailers use the supply chain 'distributors and sub-distributors for foreign products and local products'. The difference between traditional markets and superstores is the layers of supply chain system. Superstores layers of the supply chain system are less than traditional markets. Therefore, the quality of the superstore products is ensured than the traditional markets and retailers.

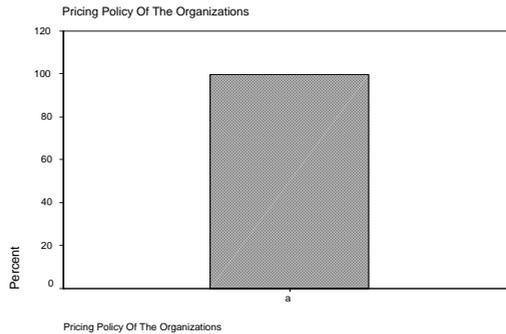


**Fig. 4: Pricing Policy of the Organizations**

Source: Field Survey

**Interpretation**

Figure-4 indicates that 100% of the respondents have answered ‘Similar to local market price’ in response to the question, ‘What is the pricing policy of your superstore?’ (See answer ‘a’ of the question no. 4 in the Appendix).



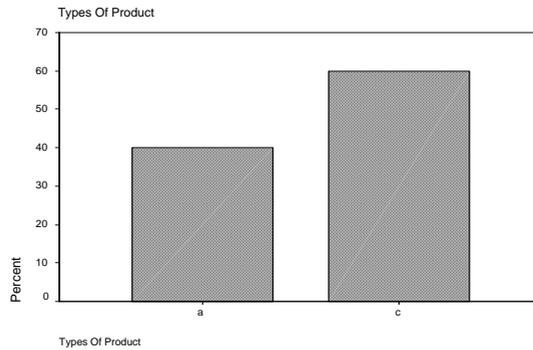
**Fig. 5: Selling Policy of the Organizations**

Source: Field Survey

They explained that they are benchmarking with the products price of the traditional market to determine their products price. Therefore, the difference between them for price is not extreme, but quality superstore products are good. Sometimes superstores provide cash discount, coupon, free captive product, extra amount on purchased products to their customers on the occasions such as monthly gross shopping at certain amount of money, religious festivals, Bengali New Year, valentine day etc. They also provide many seasonal offers that also reduce the price bundle of the customers. As a result, at present demands for superstores are gradually increasing.

**Interpretation**

Figure-5 depicts that 100% of the respondents have replied ‘Informational’ when again it has been asked them, ‘Which is the selling policy of your superstore?’ (See answer ‘a’ of the question no. 5 in the Appendix). This reply shows that these superstores maintain informational selling policy i.e. the marketers provide required information to their customers for their satisfactory buying decisions. On the other hand, in traditional markets, selling policy is not properly informational and goods are sold forcefully to the customers ignoring their demands. Therefore, sometimes these types of behavior create disgusting and irritating situation for the customers in such traditional markets. For this reason, demands for superstores are gradually increasing in the mindset of customers.

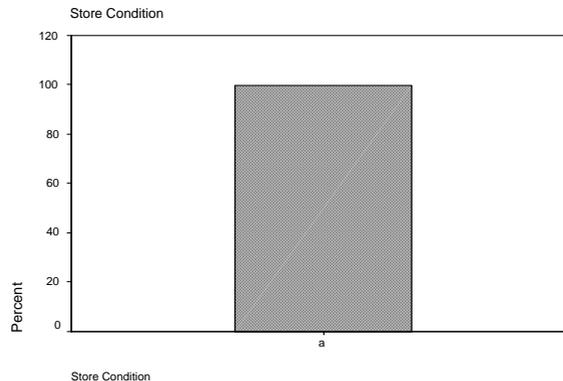


**Fig. 6: Types of Product**

Source: Field Survey

### ***Interpretation***

Figure-6 shows that 60% of the respondents have replied 'None of these' and 40% of the respondents have replied 'All types of household goods (including perishable and non-perishable goods)' following the question, 'What types of product do you offer to the target customers of your superstore?' (See answers respectively 'c' and 'a' of the question no. 6 in the Appendix).



**Fig. 7: Store Condition**

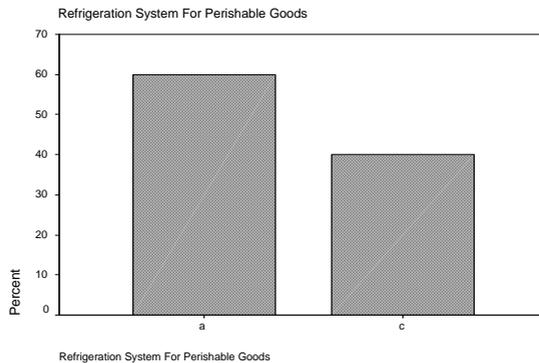
Source: Field Survey

However, they have explained in their answers that Nandan Mega Shop sales electronics, computer accessories, newspapers, magazines and non-prescription medicine with all types of household goods, Prince Bazar sales all types of household goods with cloths, and Shwapno sales all types of household goods with cloths and stationeries. On the other hand, Meena Bazar and Agora sales food items, clothes, consumer electronics, DVDs,

compact discs and consumer telecom accessories and other household items. Therefore, buying from these stores is very much convenient for consumers than traditional market.

**Interpretation**

Figure-7 reveals that 100% of the respondents have answered ‘Clean and healthy’ in response to the question, ‘How is your superstore condition?’ (See answer ‘a’ of the question no. 7 in the Appendix). They have also explained that clean and healthy store location shows the difference between the traditional market and the superstore, because traditional market place is so much dirty and unhygienic for the customers. Therefore, shopping in superstores is more comfortable than traditional market.

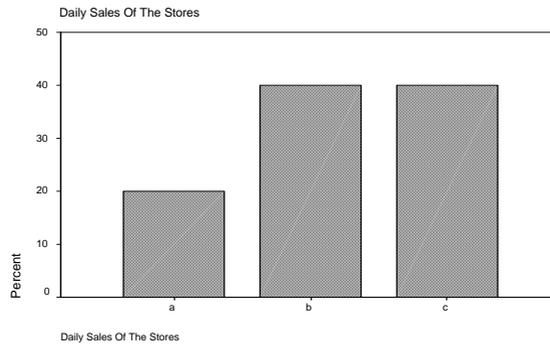


**Fig. 8: Refrigeration System for Perishable Goods**

Source: Field Survey

**Interpretation**

Figure8 indicates that 60% of the respondents have replied ‘Yes’ and 40% of the respondents have replied ‘Yes, but not adequate’ following the question, ‘Do you have refrigeration system for perishable goods in your superstore?’ (See answers respectively ‘a’ and ‘c’ of the question no. 8 in the Appendix). The replies show that most of the superstores have adequate refrigeration system for perishable goods, therefore, the goods of such stores are fresh and thus they maintain quality of their goods. But the traditional markets do not use this type of system for maintaining their products quality. Additionally, respondents have explained that educational competency of employees to refrigeration system of superstores for keeping fresh and ensuring quality of the perishable goods is one of the most attractive factors to the customers to choose the superstores.

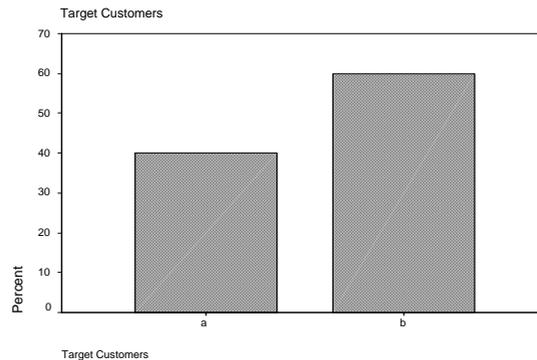


**Fig. 9: Daily Sales of the Stores**

Source: Field Survey

### **Interpretation**

Figure-9 depicts that 20% of the respondents have replied 'BDT. 200,000-300,000' and 40% of the respondents have replied 'BDT 300,000-400,000' and other 40% of the respondents have replied 'above BDT 400,000' in response to the question, 'Which amount represents daily sales (approximately) of your superstore outlet?', (See answers respectively 'a', 'b', and 'c' of the question no. 9 in the Appendix). These amounts show that superstores have good possibility to do their business better in this area.



**Fig. 10: Target Customers**

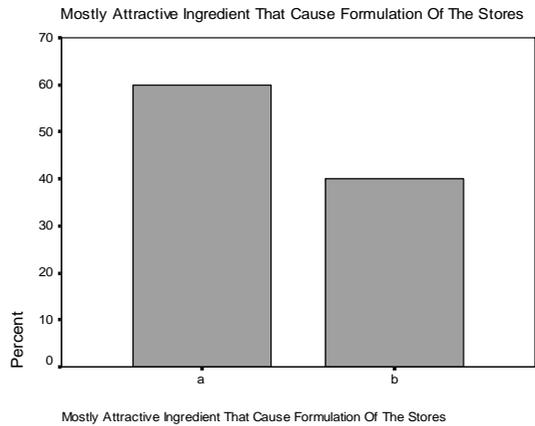
Source: Field Survey

### **Interpretation**

Figure-10 reveals that 40% of the respondents have answered 'higher class and higher middle class people' and 60% of the answerers answer 'higher class and middle class people and for long-term vision lower income people'

when it has been asked them, ‘Who are the target customers of your superstore?’ (See answers respectively ‘a’ and ‘b’ of the question no. 10 in the Appendix). Respondents of Shwapno and Prince Bazar have also mentioned that their target customers are ‘higher class and higher middle class people’. However, they are now focusing on ‘middle class people’ as their customers. On the other hand, respondents of Agora, Meena Bazar and Nandan Mega Shop have mentioned that their target customers are ‘higher class and middle class people and for long-term vision lower income people’.

**Mostly Attractive Ingredient That Cause Formulation of the Stores**



**Fig. 11: Mostly Attractive Ingredient that Cause Formulation of the Stores**

Source: Field Survey

**Interpretation**

Figure-11 shows that 60% of the respondents have replied ‘Population size’ and 40% of the respondents have relied ‘Household income’ when it has been asked them, ‘Which is mostly attracted you to establish your superstore in Dhaka city?’ (See answers respectively ‘a’ and ‘b’ of the question no. 11 in the Appendix). As a result, it can be identified that most of the superstores are established based on the population size because the city of Dhaka is heavily populated.

**FINDINGS OF THE STUDY**

From the above data analysis, the study finds out that due to shopping in untidy atmosphere such as muddy floor, insufficient space to move, unhygienic arrangement of commodities, bargaining process, inconsistent

price, traffic jam etc., consumers in Dhaka city fail to win their interests to shop in traditional markets and get panicked subsequently. Shopping in kitchen market is no longer a pleasant experience rather nightmare for shoppers. As a result, home service is receiving popularity among the customers of Dhaka city. Here, customers are being deceived everyday by shopkeepers with selling inferior products, charging excessive price and incorrect measurement. Shopkeepers in traditional markets form one kind of syndicate and dictate the market. As a result, consumers of Dhaka city turn to their interest to shop in the modern and well-decorated superstores due to having many facilities and congenial atmosphere.

Because of quality of products and comfort of shopping in the superstores, popularity of such stores is scattering in higher middle class and middle class people of Dhaka city. Educational competency of employees to refrigeration system for keeping fresh and ensuring quality of the perishable goods is also one of the most attractive factors to the customers to choose superstores in their buying decisions. Most of the superstores want to consume population based on Dhaka city. In addition, some superstores are now focusing on the middle class people along with higher class and higher middle class people. Among the various reasons, superstores provide specially a hassle-free environment for women, who otherwise feel uncomfortable shopping at crowded markets. To make good sales in daily sales of the stores is also one of the reasons to establish such superstores in Dhaka city. Hassle-free shopping environment, hygienic commodities, fresh vegetables, meat and fish in superstores are acquiring appreciation of the customers day by day.

Still superstores are not recognized as a form of service to the people remarkably in Bangladesh. Many entrepreneurs plan to expand their business, but quite a few difficulties arise when they are trying to launch a superstore-chain in Dhaka city. Here the largest problem is the supply chain. The distribution system is not organized properly. As a result, sometimes the commodities can not be delivered to the stores on time. Another problem is finding affordable space for expansion. Price is another factor for the rapid growth of superstores. There is no chance of bargaining or negotiation over the products price due to fixed price practice in superstores. Superstore marketers can provide commodities at lower prices because they buy in bulk. However, sometimes they offer seasonal and occasional offers and discounts to their customers. Improvements in food quality and freshness are also important factors. Superstores are trying to achieve these by using quality controls, better hygiene and correct storage conditions like cooling and refrigerating. The study also reveals that

entrepreneurs face challenges for time required to get all the necessary permissions before opening a new store in a new location, sometimes even a year or more. However, they are to deal with distributors and suppliers, some of whom are unprofessional. In order to secure a reliable supply of goods, superstores are developing the sourcing channel of fruits and vegetables directly with groups of farmers.

### **LIMITATIONS OF THE STUDY AND FUTURE RESEARCH OPPORTUNITIES**

To reach to the purposes, several types of hindrance available have created barrier to conduct this study. The limitations are pointed out below:

- i. Reluctance of the employees of those stores to help this study.
- ii. Insufficiency of money for conducting the research.
- iii. Insufficient knowledge to answer the questions by the employees of those superstores.
- iv. No research hypotheses are stated and developed due to not availability of sampling frame and the use of non-probability sampling technique for the representative sample size determination.
- v. Theoretical arguments underlying the conceptualization are not up to the mark due to scarcity of previous research findings regarding superstores in the context of Bangladesh.

However, there is a scope for more comprehensive studies focusing on not only Dhaka city but also other cities of Bangladesh using probability-sampling technique with rigorous statistical analysis in future.

### **RECOMMENDATIONS AND CONCLUSION**

Rising urbanization, increasing number of women working outside their home (which leaves them with less time for shopping of essentials), and increasing per capita income are acting as a driving force behind superstore diffusion in Dhaka city. Besides, a range of manufactured consumer goods, superstore marketers also offer a variety of fresh vegetables, meat and fish. With prices of the perishable goods being offered below the prices of the nearby kitchen markets, superstores try to convince customers to change their shopping habits. Therefore, for satisfactory shopping for the customers in Dhaka city, superstores should be modern and well decorated with the assurance of having every kinds of product of people's needs. Different kinds of fruits, vegetables, fish-meat, groceries, chocolates, toys, Clothing, beverage, food items and a lot more products should be available in such

stores. All the products of superstores should have a great qualitative value. Food items should be healthy and hygienic. Fruits and vegetables should be very fresh. Products and services should fulfill the needs of people of the locality so that they can get whatever they want at close to their hand. Superstores should hold the facility of full time air conditioning, escalator and trolley system, thus customers can shop comfortably.

The superstore culture is also playing a vital role in accelerating employment with a single store arranging jobs for around fifty people at least. Superstore marketers should recruit a group of skilled, trained and well-educated employees who will work in a team and always help customers to assure their desirable products through proper internal marketing. They should be very friendly, co-operative and jolly at the time of communicating with the customers for their required information and delivering products and services to them so that the customers can get a full satisfaction shopping from superstores.

Managements of superstores should directly monitor and control the whole atmosphere, which cannot be seen to any other superstores following and achieving competitive advantages. Therefore, they can transmit innovative ideas and concepts to provide better goods, services and solutions for their customers. Price of products should be monitored every single day for customer's better satisfaction. Marketers of superstores should not compromise with the quality of products. Such arrangements should be ensured in superstores so that customers can get some rare and foreign branded goods, which they may not get elsewhere. A huge collection of many goods including clothing should be available in the superstores. However, supply chain system should be improved with value addition for the availability of the required products in the superstores. As a result, customers can buy top to bottom of their necessary products from here with great satisfaction and marketers can get more market share increasing their sales volume and keeping the customers' loyalty to the stores. Government of Bangladesh and its organs should take care of the superstores and their healthy growth and monitor them strictly with the application of proper laws and regulations to ensure consumers' rights, satisfactory transactions for both buyers and sellers and revenue for the country as a whole. In future, present and potential entrepreneurs will contribute to establish more superstores and outlets in not only Dhaka city but also other six divisional cities and district headquarters of Bangladesh. As a result, superstores will serve not only the higher income but also the lower income group of customers of Bangladesh at large. Therefore, marketers should ensure the expected value for the consumers formulating and implementing proper

marketing strategies with the rapid expansion of such business. Thus, superstores will be able to contribute to the customers as one of the most profitable service industry in Bangladesh in near future.

### **ACKNOWLEDGEMENT**

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**APPENDIX**

Questionnaire for the study titled ‘a study on increasing establishment of superstores in Bangladesh with special reference to Dhaka city’

(Collected Information for the study will be used for academic purpose only.)

Name of:.....  
Respondent:.....  
Designation:.....  
Organization:.....  
Branch:.....

[Please use tick-mark (√) to select your answer, which is appropriate in your opinion]

1. Are the employees in your superstore educated?
  - a. Yes
  - b. Some are educated and some are not
  - c. No

Please explain below, if you have any other comments:

2. Do you allow bargaining or negotiation over the price of products in your superstore?
  - a. Yes
  - b. No
  - c. Partially allowed

Please explain below, if you have any other opinions:

3. Which supply chain system do your superstore use?
  - a. Direct importers and distributors for foreign product and distributor for local product
  - b. Distributors and sub-distributors for foreign products and local products
  - c. None of these

If none of these, please describe your supply chain system and if you have any other comments on your existing supply chain, please also explain below:

4. What is the pricing policy your superstore?
- Similar to local market price
  - Higher than local market price
  - Lower than local market price

Kindly explain below to support your existing pricing policy and if you have any other opinion:

5. Which is the selling policy of your superstore?
- Informational
  - Forcefully
  - Informational and forcefully

Kindly explain below to support your existing policy (if any):

6. What types of product do you offer to the target customers of your superstore?
- All types of household goods (including perishable and non-perishable goods)
  - Only perishable goods
  - None of these

If none of these, please explain your opinion and if you have any other comments on your existing products, please also mention below:

7. How is your superstore condition?
  - a. Clean and healthy
  - b. Not clean and healthy
  - c. Not so much clean and healthy
8. Do you have refrigeration system for perishable goods in your superstore?
  - a. Yes
  - b. No
  - c. Yes, but not adequate

Please describe below, if you have any other observations:

9. Which amount represents daily sales (approximately) of your superstore outlet?
  - a. BDT 200,000-300,000
  - b. BDT 300,000-400,000
  - c. Above BDT 400,000
10. Who are the target customers of your superstore?
  - a. Higher class and higher middle class people
  - b. Higher class and middle class people and for long-term vision lower income people
  - c. Higher class people
11. Which is mostly attracted you to establish your superstore in Dhaka city?
  - a. Population size
  - b. Household income
  - c. None of these

If none of these, please describe your opinion below:

12. Please give any other opinions/information regarding the reasons other than the answers of the above-mentioned answers in the following blank space. You may use another sheet of paper for your answer.

# Factors Governing Customer Satisfaction Levels of Credit Card Customers

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**Abstract**—This paper attempts to find a pattern in the entities that govern satisfaction levels of credit card customers of Indian banks in Kolkata city, thus guiding banks on the orientation of their Relationship Management efforts with regard to the sale of credit cards. A total 135 respondents were surveyed to grade how much they value certain chosen attributes of their credit cards and how far their bank meets their expectations regarding the same. The scores generated were further analysed using Factor Analysis to unearth patterns in the data. The major factors affecting customer satisfaction levels were found to be adequate education on the benefits of holding a credit card, flexibility of the methods of payment of credit dues and updating on credit details, enhanced sense of security during online transactions, the availability of assisting personnel and creating emotional surprise on special occasions.

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## INTRODUCTION

A bank must have strong customer relationships and it is important for it to inform, engage, empower and energise customers and thus connect with them. Also with the rise in literacy levels and digital technology, today's customers are intensely aware of the opportunities before them. Thus, it is imperative on the part of the management of a bank to realise what exactly customers desire before aligning relationship management strategies. In this paper we shall try to identify areas of focus of banks with regard to relationship management of their credit card customers.

## PRELIMINARY CONCEPTS

### Credit Card

A credit card is a small plastic card issued to users as a system of payment. It allows its holder to buy goods and services based on the holder's promise to pay for these goods and services. Credit cards are issued by organizations, such as a bank or credit union, after an account has been approved by the credit provider, after which cardholders can use it to make purchases. The balance on the customer's credit card at any given time is the total of his purchases, finance charges, and credit card fees. The interest free period is

the amount of time the customer has to pay the balance in full before a finance charge is applied to his purchase. If he carried a balance from the previous month, he may not have an interest free period for his new purchases.

### **Customer Perceived Value and Customer Satisfaction**

Customer perceived value is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering, keeping the perceived alternatives in mind. Customer satisfaction is product's or service's perceived performance in comparison to his expectation. Values drive customer satisfaction and banks must examine value from the point of view of the customer.

### **LITERATURE REVIEW**

As Service Quality (SQ) became an important research topic because of its apparent relationship to costs and corporate marketing and financial performance, SERVQUAL was founded on the view that the customer's assessment of SQ is paramount. This assessment is conceptualised as a gap between what the customer expects by way of SQ from a class of service providers, and their evaluations of the performance of a particular service. SQ is presented as a multidimensional construct. In their original formulation, Parasuraman *et al.* (1985) identified ten components of SQ: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/ knowing the customer, tangibles etc.

In their 1988 work these components were collapsed into five dimensions: reliability, assurance, tangibles, empathy, and responsiveness. Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy. Parasuraman *et al.* developed an instrument with which to measure customers' expectations and perceptions (E and P) of the five RATER dimensions.

The criticisms of SERVQUAL included that: SERVQUAL is based on a disconfirmation paradigm rather than an attitudinal paradigm; there is little evidence that customers assess service quality in terms of P-E gaps and SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would expect; and there is a high degree of inter correlation between the five RATER dimensions. (Buttle, 1996, pp. 8-32) Cronin and Taylor (1992) opined that expectation component of SERVQUAL be discarded

and instead performance component alone be used. They proposed what is referred to as the 'SERVPERF' scale. Besides theoretical arguments, SERVPERF was thus a variant of the SERVQUAL scale and contained perceived performance component alone. (Jain & Gupta, 2004, pp. 25–37).

Research has also shown that Customer Service, Fulfillment and Reliability, Product Portfolio, Ease of Use, Security and Privacy comprise the five-antecedent model predicting 58% of the variance of overall satisfaction of the customer. Further, four distinct dimensions of behavioural intentions were identified and these are listed as recommendations repurchase intention, price sensitivity and complaining behaviour. (Zeng, Hu, Chen, & Yang, 2009, pp. 953–969).

Further, banking, as a concept, is extremely personal, family evaluation of banking channels does affect the individual's view. The concept of social norm applied from attitude theory determines the customer's selection of channels as they are influenced by the belief that people similar to them use the channel. (Adapa, 2008) Thus also, social value may have an impact on the credit card customer's perception of value and expectations.

### **DRIVERS OF CUSTOMER SATISFACTION**

In order to thus, find a method to list the various attributes that drive customer satisfaction, we shall use a model suggested by Barnes in his book 'Secrets of Customer Relationship Management'. (Barnes, 2001, pp. 55–69) The model, shown in Fig. 1, defining the factors contributing at various levels of customer satisfaction borrows conceptually from Abraham Maslow's theory of a hierarchy of needs, postulating that human beings need to satisfy progressively higher levels of needs, beginning with basic physiological needs and progressing through safety, social and self-esteem needs to self-actualisation. This model depicts five levels of the value proposition made to the customer by the organisation. Each level generally evolves progressively more inter personal contact with employees of the bank and moves towards an 'emotional-contact'-dimension with the firm. Each successive level in the model depicts the satisfaction of progressively higher order customer needs. Also the satisfaction of customers at lower levels of the model in no way guarantees the satisfaction at higher levels.

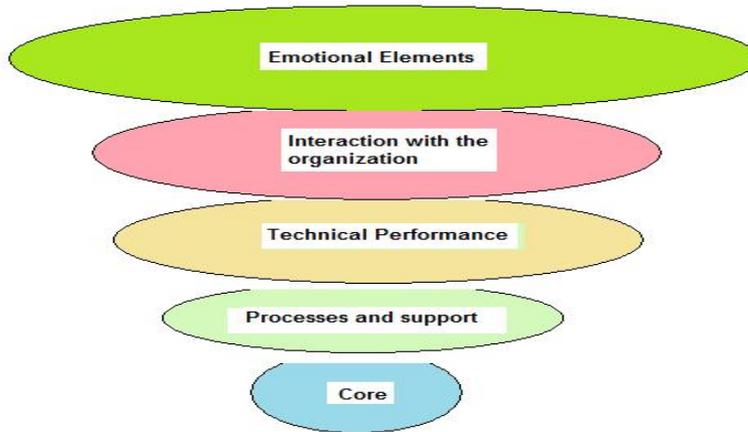


Fig. 1: The Five Levels of the Drivers of Customer Satisfaction

## METHODOLOGY

The customer's perception of value added by the purchase of a credit card is influenced by his demographics, social background, financial status and age and, while choosing a sequential sample, we have made sure that all respondents have an annual income above Rs.2 lakhs and belong to the same social strata, being upper middle class, employed residents of Kolkata city. Within this stratum, there is also, a very minimal deviation of attitude between the two genders. Hence as we proceed to unravel patterns of customer satisfaction, we shall take into account for the purpose of this study, the four age groups: A (21 to 35 years), B (36 to 50 years), C (51 to 60 years), and D (above 65 years). The sample size, being 135, has the respondents approximately equally divided into the groups. The age groups have been created, keeping in mind, the use of credit cards, by respondents with a secure monthly income.

To identify the attributes that contribute to the drivers of customer satisfaction, of Indian credit card customers, we used the model, described by Barnes, and by a study of the websites of Indian Banks and their credit card links identified the following 14 attributes as described in Table 1, denoted, rotationally, by A, N. We chose a multidimensional scale, where the respondents were asked to grade the attributes from 1 to 5, depending on how much they valued them. (Bottom & Lemon, 1999) We shall label these scores as 'Values'. After a significant period of time, the respondents were now asked to grade their experiences with regard to the same attributes again on a scale of 1 to 5. We shall call these scores 'Performance'. The difference between the scores, labeled as 'Satisfaction', collected, gave us the

**FACTORS GOVERNING CUSTOMER SATISFACTION LEVELS OF CREDIT CARD CUSTOMERS**

measure of customer satisfaction that we shall use in the forthcoming analysis. The data has been tested for normality and also reliability by Cronbach's alpha, which is 0.842, thus diagnosing and confirming consistency of the scale. Depending on the Bartlett test for sphericity and the correlation, the data has been analysed through Factor Analysis, ending with the component score vectors and the factor scores. To unveil further facets underlying the data, the factor scores are again tested with ANOVA over the four age groups.

**TABLE 1**

Core: The Credit Card itself	A	The 'fuel charges waiver' on selected outlets is adequate
	B	The 'mode of payment' of annual fee is comfortable
	C	Adequate facility is available for the 'withdrawal of cash'
Support Processes	D	The 'revolving credit facility' of paying a certain % of outstanding credit every month is comfortable
	E	'Balance transfer option' or the transfer of outstanding balance between cards
	F	'Statement' is sent to the card holder by email every month and by courier every quarter
	G	Interest applicable to the bank is payable only after the 'interest free offer period'.
Technical Performance	H	'Electronic Contactless Payment Technology' (Swiping of card at retail malls)
	I	'Online shopping' with security enabled through CVV number, verification of secure code
	J	'Insurance of credit' amount: The purchase and cancellation of such insurance is made through phone banking at toll free number
Interaction with the organization	K	Any query is met by calling up toll free number of bank. Customer Service Staff should be available at the bank to clarify details; 'Availability of staff'
	L	'Help from the staff of the bank' regarding redemption or queries on incentives or reward points accumulated as they are handled by another organization. (Payback or erstwhile Imint handled the reward points of ICICI cards.)
A thought for the delight of customer	M	'Reward points' for purchases that could be redeemed later
	N	A 'surprise' on the customer's special day (Birthday, New Year, etc)

Since the 'Value' scores and 'Performance' scores were taken a time frame apart, there is a possibility of the respondent being conscious regarding such evaluation and the first score affecting the second, creating the possibility of a forced choice. However such a possible instrument associated error is offset by the fact that the difference of the scores is examined for a trend in customer satisfaction.

## ANALYSIS

An examination of the correlation matrix (Table 2) between items reveals that the correlation between the items ('Mode of Payment', 'Statement'), ('Withdrawal of Cash', 'Interest free period'), ('Revolving Credit facility', 'Withdrawal of Cash'), ('Availability of customer service staff at bank', 'Help from staff of bank') is quite high (above 0.7) and positive, thus suggesting an underlying pattern wherein the role of level 1 and 2 attributes is emphasized and also, some customer satisfaction may depend on involvement of bank staff in their service. Thus we may conclude that there does exist an underlying pattern with the data, which may assist banking organisations by guiding them in the foci related to the increase of perceived value of the credit card customers. We shall thus proceed with Factor Analysis, an inter dependence statistical technique providing help in analysing the structure of inter-relationships by defining sets of highly correlated variables or factors on the data set. On performing the Bartlett test for sphericity, we see that the measure of sampling adequacy has crossed 0.5 and keeping in mind also that the sample size is 135, we could conclude that the application of factor analysis is appropriate on this data. Also, Varimax factor rotation is selected, maximising the sum of variances of required loadings on the factor matrix.

The Scree Plot and the rotated component matrix are depicted in Fig. 2, and Table 3 respectively. 78.542% of variance is explained by the first four factors. The Scree Plot so obtained also depicts that the first four factors have Eigen values crossing 1, thus, indicating to us to focus on these.

TABLE 1: THE CORRELATION MATRIX

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
A	1.000	.429	.306	.351	.535	.246	.365	.223	.201	.379	-.010	-.035	.171	.558
B	.429	1.000	.591	.556	.238	.739	.580	.378	-.151	-.045	.426	.390	.136	.546
C	.306	.591	1.000	.923	.227	.392	.807	.025	-.306	-.053	.248	.249	.151	.460
D	.351	.556	.923	1.000	.295	.447	.801	-.024	-.176	.101	.291	.295	.326	.373
E	.535	.238	.227	.295	1.000	.078	.193	-.194	.207	.253	.146	.123	.016	.388
F	.246	.739	.392	.447	.078	1.000	.517	.484	-.066	.122	.577	.582	.463	.429
G	.365	.580	.807	.801	.193	.517	1.000	.246	.009	.175	.221	.229	.245	.644
H	.223	.378	.025	-.024	-.194	.484	.246	1.000	.407	.316	.267	.268	.120	.409
I	.201	-.151	-.306	-.176	.207	-.066	.009	.407	1.000	.750	.268	.251	.133	.012
J	.379	-.045	-.053	.101	.253	.122	.175	.316	.750	1.000	.480	.472	.158	-.055
K	-.010	.426	.248	.291	.146	.577	.221	.267	.268	.480	1.000	.985	.274	-.062
L	-.035	.390	.249	.295	.123	.582	.229	.268	.251	.472	.985	1.000	.293	-.095
M	.171	.136	.151	.326	.016	.463	.245	.120	.133	.158	.274	.293	1.000	.167
N	.558	.546	.460	.373	.388	.429	.644	.409	.012	-.055	-.062	-.095	.167	1.000

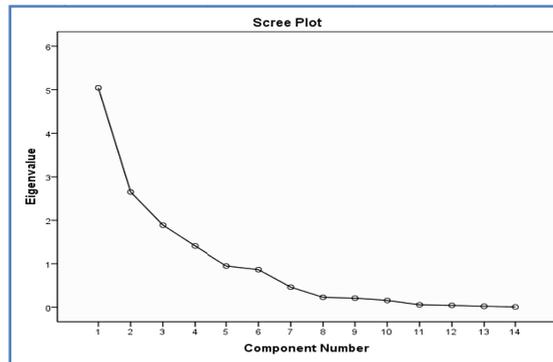


Fig. 2: The Scree Plot

TABLE 3: ROTATED COMPONENT MATRIX<sup>A</sup>

	Component			
	1	2	3	4
Fuel charge waiver facility	.517	-.198	.629	.224
Mode of payment	.714	.277	-.072	.393
Withdrawal of cash	.901	.177	-.099	-.106
Revolving credit facility	.876	.270	.030	-.163
Balance transfer between cards	.430	-.058	.650	-.287
Statement	.504	.544	-.112	.512
Interest free period	.821	.159	.103	.200
Contactless Payment Technology	.006	.207	.149	.905
Online shopping	-.331	.234	.775	.261
Insurance of credit amount	-.114	.454	.786	.085
Availability of customer service staff at bank	.125	.943	.140	.057
Help from staff of bank	.115	.956	.116	.047
Reward points	.221	.371	.062	.174
Surprises	.678	-.277	.211	.514

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.

On checking the rotated component matrix in Table 4, we notice that the factor loadings (B, C, D, G, M and Factor 1), (F, K, L and Factor 2), (E, I, J and Factor 3) and (H and Factor 4) are positive and relatively large. Analyzing further.

Factor 1: Satisfaction levels of the customer here, relate strongly to principles of minimum credit, a consciousness of credit balance and curiousness about the kind of apparent financial benefits as well as their impact on individual fiscal security levels that the usage of credit card may imply. Satisfaction levels in this case relate negatively to the usage of credit cards in online purchasing. Such a customer could however enjoy a surprise or two from the service providers. Most of these qualities relate to the first,

second and final levels of the drivers of customer satisfaction. Let us label these attributes together as ‘Core product n (and) Surprise element’ or O.

Suppose  $X_{30 \times 14}$  represents the matrix of ‘Satisfaction’ scores, then the 135 factor scores of the four factors are given by XO, XP, XQ, XR, where the vectors  $O_{14 \times 1}$ ,  $P_{14 \times 1}$ ,  $Q_{14 \times 1}$ ,  $R_{14 \times 1}$  are depicted in Table 4. The factor scores plotted against respondents in a stacked bar chart as shown in Fig. 3, tell us about the level of satisfaction of the respondents with respect to the factors. (Hair, Black, Babin, Anderson, & Tatham, 2008).

Factor 2: Factor scores and vector P here show that the availability of customer service at bank and help from people instead of a menu-driven interface is perceived highly. Here, satisfaction of the customer is also obtained by conveniences in the updating of credit card status. The attributes relate mainly to the fourth and also to the second level of the drivers of customer satisfaction. We shall label the new attribute as ‘Convenience,’ (P).

TABLE 2: VECTORS O, P, Q, R (14x1)

1 (O)	2 (R)	3 (P)	4 (Q)
.125	-.177	.300	.061
.143	.035	-.098	.166
.246	.035	-.063	-.159
.237	.070	-.001	-.214
.139	-.066	.346	-.275
.060	.146	-.145	.239
.195	-.012	.012	.029
-.095	-.017	-.020	.548
-.137	.034	.349	.107
-.076	.126	.352	-.049
-.029	.356	-.003	-.080
-.031	.365	-.015	-.085
.021	.114	-.013	.050
.152	-.218	.071	.278

Factor 3: The factor scores and vector Q here highlight the customer’s innate confidences in technology vide his preference to transfer balances between cards and his perceived need to ensure credit. Let us label these attributes as ‘Trendiness’ (Q). The attributes correspond to values at the third and fourth levels of the drivers of customer satisfaction.

Factor 4: Here the factor scores and vector R emphasize the willingness of the customer for contact less payment at retail outlets and the attribute points to level 4 as a driver of customer satisfaction. Let us label this attribute as ‘Shopper’, (R).

Since our respondents could be partitioned in four age groups, A, B, C and D, we shall now perform one-way ANOVA of the factor scores over the four age groups A (21 to 35 years), B (36 to 50 years), C (51 to 65 years) and D (above 65 years) to check if a certain age group has a leaning towards a factor. We notice that in the attribute ‘Convenience’, a weighted F ratio of 8.361 is indicated, in the ‘Trendier’ attribute, an un-weighted ratio of 5.157 is shown and in ‘Shopper’ attribute, the ratio are 7.423 and 8.381. We shall now examine the charts with respect to these data chart from the High-Low plot of Fig. 4 and we can see that particularly the satisfaction levels of customer of age group B are particularly affected by the ‘Convenience’ factor. An examination of the High-Low plot of Fig. 5 reveals that banks must concentrate their relationship management efforts on customers of the age group D (above 65 years) when it comes to shopping at retail outlets using the credit card.

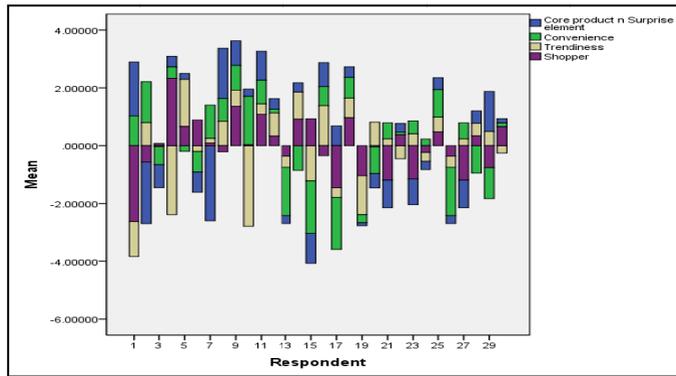


Fig. 3

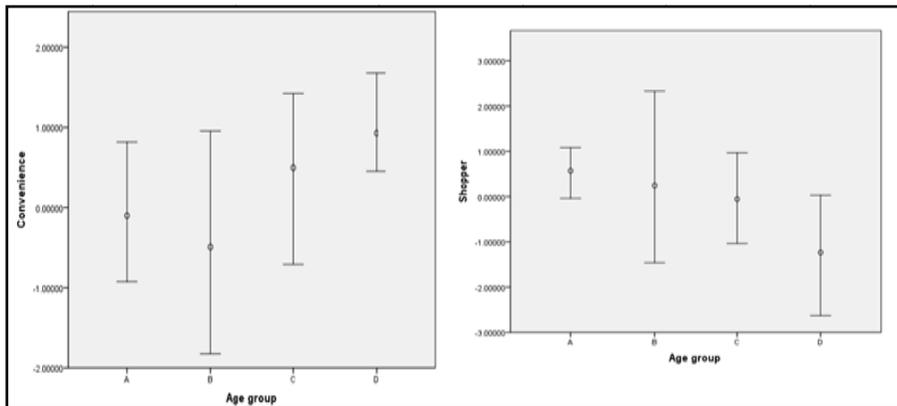


Fig. 4

Fig. 5

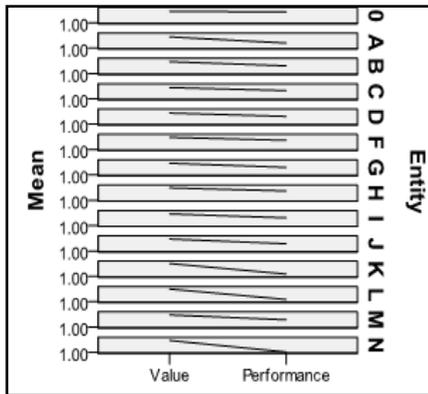


Fig. 6

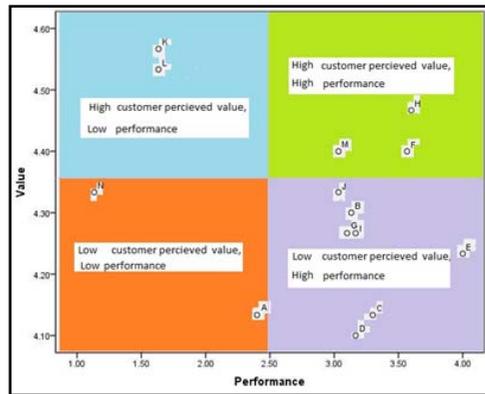


Fig. 7

In order to further diagnose as to which of our factors further affect the effectiveness of relationship management of Indian Banks in the Kolkata context, we shall analyse two forms of the Value Performance grid obtained from the Satisfaction scores.

Let us now, examine the original data collected using two forms of the value performance grid. Fig. 6 depicts the mean scores of, 'Value' versus mean of the banks' performance (as per the customers' view) scores, 'Performance' and Fig. 7 maps the 14 variables into four quadrants based on low and high customer perceived value and the banks' performance. We can see that variables A and N are low on both customer perceived value 'Value' and the bank's performance in reaching customer expectations, 'Performance'. Moving over to Fig. 6, examining A and N, we see a definite decrease in mean scores of 'Performance' vis-à-vis 'Value'. Thus the bank must focus on improvement of relationship management with respect to a percentage of fuel charges on selected outlets and the offers of surprises to the customer. Attributes K and L are high on customer perceived value and low on performance and this is depicted as well in Fig. 6 indicating that banks need to replace or append menu-driven call-centre enabled telephone contact by friendly and helpful staff. Attributes C, D, E, B, G, I, J are low on customer perceived value and high on performance. However, a light dip in performance is indicated by Fig. 6.

## FINDINGS

An analysis of the available primary data has revealed that in order to enhance customer satisfaction levels of credit card customer, the banks must concentrate on its performance with regard to the following:

- For very many customers, satisfaction levels are linked to a feeling of fiscal insecurity given by a closely monitored credit, consciousness of the credit balance and curiousness about the benefits of the credit card. Such customers avoid the use of credit cards for online purchasing.
- Customer satisfaction levels are also closely linked to the sense of comfort convenience and security generated by profitable and mutually beneficial interactions with helpful staff.
- Satisfaction levels of some customers are also linked with the customers' innate confidence in technology. Such customers are comfortable with different modern forms of banking such as transfer of funds between cards. Such customers are also rather conscious of the need for credit insurance and are mostly from age group 'B' (or 36 to 50 years), which could also be described as the age when a citizen is financially comfortable.
- The final factor score emphasizes the willingness of the customer to make contact less payments at retail outlets with relative ease. Customers above 65 years of ages are, however, not so comfortable with this feature of the credit card.
- Customers of Kolkata city are not very particular about the waiver of a percentage of fuel charges. They could also feel better about their bank if they are pleasantly surprised on certain special days of their life.

## **CONCLUSION**

At the core level of the drivers of customer satisfaction, the bank must ensure that the customer is adequately educated regarding certain benefits of the credit card, such as the fuel charges waivers' on selected outlets, and must use the same effectively, so as to increase his sense of satisfaction. The bank could also introduce more flexibility in the modes of payment, making it convenient for busy, working personnel of various organisations to pay bills conveniently. The same increase in flexibility is also recommended for the method of updating of the customer on his credit details. At the level 2 of drivers of customer satisfaction, the bank must also service the revolving credit facility and the interest free offer period, also taking into account, the cost of the same.

On the sale of the credit card, keeping in mind the customer's level of comfort with advents of technology and insurance of credit, the customer

must be educated adequately through friendly and adequately trained bank staff. The bank must also explain very clearly as to how security is maintained during online transactions using the credit card. This recommendation falls within level 3 of the drivers of customer satisfaction or technical support system of the organization.

At the final two levels of the drivers of customer satisfaction, the bank must ensure the availability of helpful and trained staff to assist purchasers of credit card exclusively. The bank could at each branch, maintain a counter for the exclusive service to credit card holders. This should be in addition to the already existent system of credit card management through phone and internet banking. The bank could also direct offers towards certain special days in a customer's life, thus pleasing him and making him feel delighted. This would go a long way in determining the customer satisfaction levels of credit card holders of Kolkata city.

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# The Impact of Service Quality on Customer Loyalty towards Organized Coffee Retailers in Ahmedabad

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## INTRODUCTION

Retail comes from the French word *retailleur* which refers to 'cutting off, clip and divide' in terms of tailoring. It first was recorded as a noun with the meaning of a 'sale in small quantities'. Its literal meaning for retail was to 'cut off, shred, paring'.

Indian retail industry is witnessing a paradigm shift as the sector is getting organized and consumers are seeking a one-stop shopping place with convenience and entertainment. Professionally managed and separately owned retail organizations are the face of today's retail sector.

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 per cent of its GDP. India is one of the fastest growing retail markets in the world, with 1.2 billion people. Organized retailing has come up with several types of stores like supermarkets, hypermarkets, discount stores, specialty stores, catalog showrooms, department stores etc. offering a huge assortment of merchandise. The Indian retail industry, though predominantly fragmented through the owner-run 'Mom and Pop outlets', has been witnessing the emergence of a few medium sized Indian Retail chains, namely Pantaloon Retail, RPG Retail, Shoppers Stop, Westside (Tata Group) and Lifestyle International.

The **coffee industry of India** is the *sixth largest producer of coffee* in the world, accounting for over four per cent of world coffee production with the bulk of all production taking place in its southern states. India has always been predominantly a tea drinking nation with coffee being a choice only in some southern states. However, there has been a sudden change in this trend with coffee becoming more and more popular in recent times especially among the youth, thanks to the new entrants in the segment including Barista, Café Coffee Day (CCD) and the like. The key players in organized coffee retail are CCD, Barista, Costa Coffee, Coffee World, CBTL (Coffee Bean & Tea Leaf).

In keeping with the global coffee culture, purveyors in India have been offering the products in a wide range of variants that include hot coffee, cold coffee, coffee add ons, powder coffee etc.

The chains have also adopted state-of-the-art store formats and some even offer wi-fi access to their customers. As a step forward, CCD has incorporated formats like music cafés, book cafés, highway cafés, lounge cafés, garden cafés and cyber cafés targeting a diversified customer profile. These cafés are increasingly filling in a sorely felt gap by becoming a meeting place for people in the age group of 15–29. India, with its huge young population flooded with disposable income, offers an exciting and ideal market to coffee retailers. According to researches, teenagers make for 25 per cent of the customer profile. While 38 per cent of the customers are between 20 and 24 years, another 23 per cent belong to the age group of 25–29 years. Students and young professionals comprise around 72 per cent of the customers.

### **LITERATURE REVIEW**

Several researches have been carried out to in the field of retailing. Number of researchers focus on finding out the factors the consumer consider while visiting an organized retail store.

A research paper entitled 'Identifying important service quality parameters for major Indian food retailers—A case study' by G. S. David Sam Jayakumar and K. Abdus Samad published in African Journal of Marketing Management Vol. 4(1), pp. 30–42, January 2012 attempted to codify the service quality dimensions within the scope of the Organized Retailing Sector in India.

The research studied the services quality of major food retailers by taking important services quality dimensions like physical aspects, reliability, personal interaction, problem solving and policy which asses the retail service users, especially the food retailers.

A study of Customer Loyalty Management in Chinese Retail Supermarket by Wang Wen-Cheng, Department of Business Management, Hwa Hsia Institute of Technology, Taiwan tries to find out customer loyalty at various organized retail stores prevailing there. Further, it tried to identify the determinants of service loyalty in Wumart Group. This study examined the relationship between customer satisfaction and customer loyalty and also included the analysis on the areas of customer loyalty and switching behaviours influenced by loyalty club cards.

## **A Survey of Loyalty Programmes**

Practices, Avenues and Challenges by Preeta H. Vyas and Piyush K. Sinha attempted to provide a conceptual overview of loyalty in organized retail sector outlining the practices of grocery retail outlets in Ahmedabad. It also throws light on consumer expectations, perceptions and problems faced through in depth exploration.

A comparative study was done between Barista and CCD in the paper entitled 'Barista Vs Café Coffee Day–A Comparative Study' during 2005 in Kolkata with the objective of to compare and study Barista & Café Coffee Day, identify areas of excellence and areas needing improvement; and provide suggestions for such improvement. The aim of this survey was to successfully compare two prominent service sector companies on a common platform, analyse their working and performance, and highlight what they are doing well, while providing suggestions and recommendations for improvement.

A research on 'Service Quality (SERVQUAL) and its Effect on Customer Satisfaction in Retailing' by C.N. Krishna Naik, Swapna Bhargavi Gantasala and Gantasala V. Prabhakar used SERVQUAL to analyse the gap between perceptions and expectations of the customer, concerning the service at retail units in the South Indian state of Andhra Pradesh. The purpose of the researches were (1) to describe applied of service quality (SERVQUAL) dimension in retail Business (2) to know service quality (SERVQUAL) dimensions that make customers satisfied, and (3) to know service quality (SERVQUAL) dimensions that are dominant in influencing customer satisfaction.

A study by A. Parasuraman and Valarie A. Zeithaml describes the development of a 22-item instrument (called SERVQUAL) for assessing customer perceptions of service quality in service and retailing organizations. Evidence of the scale's reliability, factor structure, and validity on the basis of analyzing data from four independent samples were also presented in the paper. The paper concluded with a discussion of potential applications of the scale.

A study on 'A Measure of Service Quality for Retail Stores: Scale Development and Validation' by Pratibha A. Dabholkar, Dayle I. Thorpe, Joseph O. Rentz (1996) proposed a hierarchical factor structure to capture the dimensions important to retail customers based on the retail and service quality literatures as well as three separate qualitative studies.

A research by Darshan Parikh namely 'Measuring Retail Service Quality: An empirical assessment of the instrument' measured the gap between customers' expectations and their perceptions about the service quality of retail stores in India. The instrument used was found quite reliable but the five dimensions of service quality may need considerable restructuring according to the survey. The analysis found out that highest gap existed in policies of the retail stores particularly the parking facilities.

### CONCEPTUAL FRAMEWORK

A very well known and discussed scale for measuring consumer perception towards service quality is SERVQUAL, a scale designed to measure five dimensions of service quality:

- **Tangibles:** physical facilities, equipment, and appearance of personnel.
- **Reliability:** ability to perform the promised service dependably and accurately.
- **Responsiveness:** willingness to help customers and provide prompt service.
- **Assurance:** knowledge and courtesy of employees and their ability to inspire trust and confidence.
- **Empathy:** caring, individualised attention provided to customers.

Dabholkar, Thorpe and Rentz (1996) proposed an instrument based on SERVQUAL, which measures service quality in a retailing environment. This instrument also captures, apart from the common dimensions that are likely to be shared by pure service environments and retail environments. Further, SERVQUAL has not been successfully adapted to and validated in a retail store environment. Hence a model of Retail Service Quality was used in this study.

Dabholkar *et al.*, (1996) proposed that retail service quality has a hierarchical factor structure. Consumers think retail service quality at three levels, a dimensional level, an overall level, and a sub-dimensional level. Dabholkar *et al.*, (1996) proposed five dimensions, physical aspects, reliability, personal interaction, problem solving and policy. They also gave sub dimensions of each dimension to combine related attributes into subgroups.

## HIERARCHICAL STRUCTURE FOR RETAIL SERVICE QUALITY

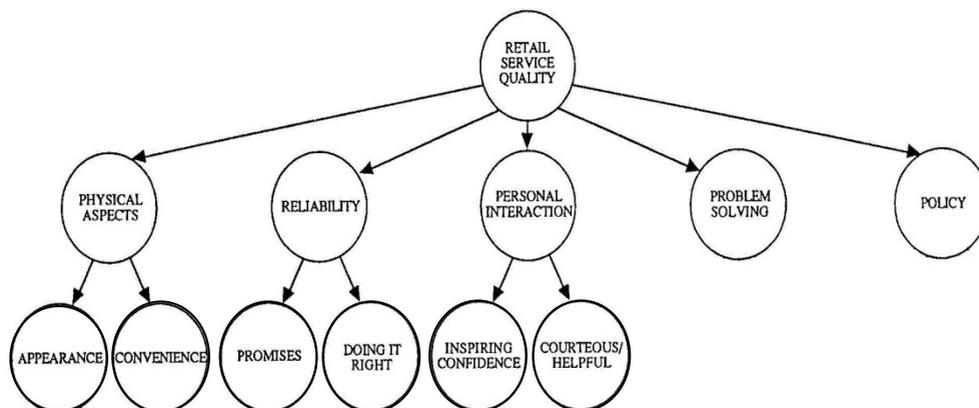


Fig. 1

### Physical Aspects

It encompasses the appearance of the physical facilities and the convenience offered to the customer by the layout of the physical facilities. Retail literature suggests that store appearance is important to retail customers (Baker *et al.*, 1994). In addition, the retail literature suggests that customers value the convenience of shopping that physical aspects, such as store layout, offered to them (Gutman and Alden, 1985; Hummel and Savitt, 1988; Mazurskyandjacoby, 1985; Oliver, 1981).

### Reliability

Customers view reliability as a combination of keeping promises (Dabholkar, *et al.*, 1996). Availability of merchandise (Westbrook, 1981) is also a measure of the reliability dimension and is incorporated into doing-it-right sub-dimension.

### Personal Interaction

Has two sub-dimensions, service employees inspiring confidence and being courteous and helpful. These sub-dimensions are very closely related and capture how the customer is treated by the employee.

### Problem Solving

It addresses the handling of returns and exchanges as well as of complaints. Service recovery is recognised as a critical part of good service

(Hart, Heskett, and Sasser, 1990, Kelley and Davis, 1994). Recognising and resolving problems should emerge as a separate factor in customer evaluation. Westbrook (1981) found that customers were quite sensitive on how service providers attend to problems and complaints. Westbrook, along with Mazursky and Jacoby (1985) also mentions that the ease of returning and exchanging merchandise is very important to retail customers.

## Policy

It captures aspects of service quality that are directly influenced by store policy. When customers evaluate whether a store has convenient hours, for example, this is viewed as whether the store's policy is responsive to customers' needs. Westbrook (1981) and Mazursky and Jacoby (1985) report that an important criterion on which customers evaluate stores is the credit and charge account policies of the store. Customers also appear to value parking availability for retail shopping (Oliver, 1981).

## PROPOSED MODEL

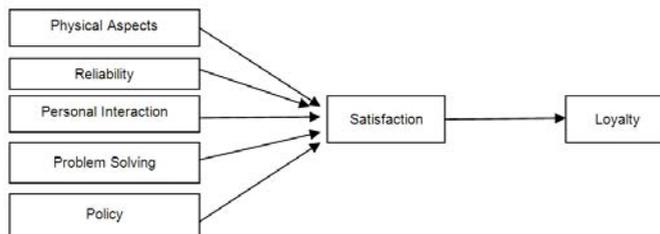


Fig. 2

The above is the proposed model for our survey. To find the satisfaction of the customers' retail service quality model was used having the five dimensions mentioned above. Satisfaction among customers leads to loyalty.

## OBJECTIVES OF THE STUDY

1. To find the factors preferred by customers while visiting coffee shops.
2. To know the relationship between satisfaction and dimensions like physical aspects, reliability, personal interaction and others.
3. To perform GAP Study for CCD and Barista Coffee Shop.
4. To compare the satisfaction level of customers for Barista and CCD shop.
5. To study the relationship between satisfaction and loyalty for both the stores.

## RESEARCH METHODOLOGY

A descriptive research was used for conducting this study. A survey approach was chosen to gather information from respondents of Ahmedabad visiting CCD and Barista coffee shops. Non-probability sampling technique, convenient sampling i.e. mall intercept was used. Structured questionnaire was developed and administered to 100 respondents. Before finalising the questionnaire, opinion of experts was taken and it was followed by a pilot survey of 15 respondents of Ahmedabad. Data and information gathered through questionnaire were analysed using SPSS Software. To do this, multiple regression was performed and use of Chronbach alpha was used to check the reliability of all the retail service quality dimensions.

## ANALYSIS AND INTERPRETATION

Through our survey, we found that majority i.e. 93% of the people prefer to have coffee from organised coffee shops (Table 1). Further, maximum (83) people visited Café coffee Day and few (17) visited Barista in Ahmedabad (Table 2). Majority of the people preferred to visit a coffee shop once in a month. (Table 3) and around half of our respondents spent Rs. 75–125 during a single visit (Table 4). During the visit, maximum (42%) people spent ½-1 hour in a coffee shop (Table 5). Our research shows that maximum people went to coffee shop with their friends (Table 6). Through this survey, we found that taste of coffee is the most important factor for preferring the coffee shop (Table 7).

TABLE 1

	Frequency	Per cent
Yes	93	93.0
No	7	7.0
Total	100	100.0

TABLE 2

	Frequency	Per cent
Barista	17	17.0
Café coffee day	83	83.0
Total	100	100.0

TABLE 3

	Frequency	Per cent
2–3timesaweek	8	8.0
Once in a month	43	43.0
2–3timesinamonth	19	19.0
Not often	30	30.0
Total	100	100.0

TABLE 4

	Frequency	Per cent
0-25rs	3	3.0
25-75rs	41	41.0
75-125rs	49	49.0
over125s	7	7.0
Total	100	100.0

TABLE 5

Frequency		Per cent
less than 1/2 hour	18	18.0
1/2 hr-1 hr	42	42.0
1-2 hr	36	36.0
over2hr	4	4.0
Total	100	100.0

TABLE 6

	Responses		Per cent of Cases
	N	Per cent	
With whom would to like go for coffee: Friends	82	62.1%	87.2%
With whom would to like go for coffee: Family members	21	15.9%	22.3%
With whom would to like go for coffee: Relatives	5	3.8%	5.3%
With whom would to like go for coffee: Colleagues	19	14.4%	20.2%
With whom would to like go for coffee: Other	5	3.8%	5.3%
Total	132	100.0%	140.4%

### RELIABILITY OF RETAIL SERVICE QUALITY MODEL

To measure the reliability of the model, we have performed Chronbach alpha tests which are shown in Table 14 and the scores for all the dimensions are greater than .7 which shows that all the dimensions are highly reliable.

### MULTIPLE REGRESSION FOR CCD

To find out relationship between dependent variable, Satisfaction and independent variables like Physical Aspects, Reliability, Personal interaction, Problem solving and policy, multiple regression was used.

Table 8 shows the value of  $R^2$  which is .744 and it shows a good model fit and we can predict 74% change in dependent variable due to all the above mentioned independent variables.

Satisfaction = .335 + .798(Physical Aspects) + .036(Reliability) + .259(Personal Interaction) + .111 (Problem Solving) + .001 (Policy).

TABLE 7: STATISTICS

		<b>Taste of Coffee</b>	<b>People Service</b>	<b>Value of Money</b>	<b>Ambience</b>	<b>Convince</b>
N	Valid	100	100	100	100	100
	Missing	0	0	0	0	0
Mean		1.73	2.69	3.38	3.41	3.67
Std. Deviation		1.0527	1.0512	1.0710	1.2800	1.4978

TABLE 8: MODEL SUMMARY

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.863 <sup>a</sup>	.744	.728	.40887

For Satisfaction of CCD, physical aspects are the most important factor. physical aspects describe the visual appeal of the store like modern looking equipments and fixtures, materials in the shops, cleanliness and convenient public areas. The next important factor is personal interaction. This concludes that the employees of the coffee shop should behave politely with the customers; they should be ready to help the customers and greet them when the customers enter the store. Further, the customers should receive personal attention by the employees.

### **MULTIPLE REGRESSIONS FOR BARISTA**

To find out relationship between dependent variable, Satisfaction and independent variables like Physical Aspects, Reliability, Personal interaction, Problem solving and policy, multiple regression was used.

Table 9 shows the value of R<sup>2</sup> which is .768 and it shows a good model fit and we can predict 76% change in dependent variable due to all the above mentioned independent variables.

Satisfaction=.384+.929 (Physical Aspects) +.446 (Reliability) +.366 (Personal Interaction) +.489 (Problem Solving) +.533 (Policy)

Table 9: Model Summary

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.876 <sup>a</sup>	.768	.679	.60811

The above model shows the physical aspects is the most important element for satisfaction of the customers which includes the visually appealing elements of the store. Further, it is followed by next important factor, Policy, which also plays an important role for Satisfaction. Policy includes factors like what the shop offers; whether it stores high quality products, if it provides plenty of convenient parking to customers, if the operating hours are convenient and shop accepts credit cards as well.

### RELATIONSHIP BETWEEN LOYALTY AND SATISFACTION FOR CCD

To study the relationship between loyalty and satisfaction, loyalty was taken as independent variable and satisfaction was taken as dependent variable. Table 10 shows that the value of  $R^2$  is .751 which shows that model is fit and 75% change in loyalty can be predicted by satisfaction.

$$\text{Loyalty} = .583 + .866(\text{Satisfaction})$$

The above model shows that both the variables are positively related and are highly correlated.

TABLE 10: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866 <sup>a</sup>	.751	.747	.37902

### RELATIONSHIP BETWEEN LOYALTY AND SATISFACTION FOR CCD

To study the relationship between loyalty and satisfaction, loyalty was taken as independent variable and satisfaction was taken as dependent variable. Table 11 shows that the value of  $R^2$  is .786 which shows that model is fit and 78% change in loyalty can be predicted by satisfaction.

$$\text{Loyalty} = .130 + .886(\text{Satisfaction})$$

TABLE 11

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886 <sup>a</sup>	.786	.778	.43757

The above model shows that both the variables are positively related and are highly correlated.

Hence, from the above models it can be predicted that the customers of CCD and Barista are satisfied. Further, the model shows that loyalty comes from satisfaction and both are in direct relationship with each other.

### GAP ANALYSIS

A separate questionnaire was developed for measuring perception and expectations of the customer by the use of Retail Service Quality model. The means score was calculated for all the dimensions for perception and expectations which has been displayed in Table 12. To calculate the gap score the formula p-e was used. From Table 12, it is clear that a negative gap was found in all items. This indicates that the service quality of retail stores at an overall level falls behind the customer expectations to a very lower level for CCD store.

TABLE 12

	N	Perception Mean	Expectation Mean	Gap (p-e)
Physical aspects	85	3.5500	4.85	-1.3
Reliability	85	3.5255	4.70	-1.1745
Personal interaction	85	3.5490	4.55	-1.001
Problem solving	85	3.5824	4.63	-1.0476
Policy	85	3.5824	4.60	-1.0176

Further, by comparing Gap score for CCD (Table 12) and Gap score for Barista (Table 13), it is clear that the gap among Barista customers is a bit more than the CCD customers.

TABLE 13: DESCRIPTIVE STATISTICS

	N	Mean	Gap (p-e)
Physical aspects	25	3.4700	-1.38
Reliability	26	3.4359	-1.2641
Personal interaction	26	3.3205	-1.2295
Problem solving	28	3.3571	-1.2729
Policy	28	3.3929	-1.2071

Hence, Barista should focus on all the dimensions to increase the satisfaction to increase the loyalty of their customers.

TABLE 14

Factors	Alpha Value
Physical Aspect	.895
Reliability	.758
Personal Interaction	.938
Problem solving	.828
Policy	.773

## CONCLUSION AND LIMITATIONS

Through this survey we found that majority of the customers of CCD and Barista were satisfied on dimensions like Physical Aspects, Personal Interaction and Policy. Further, Barista should focus on all the dimensions to increase the satisfaction to increase the loyalty of their customers. People preferred to visit the coffee shops majorly with friends and spent Rs. 75–125 during a single visit.

The study cannot be generalized as the respondents belonged to Ahmedabad city. Bias among the respondents may lead to improper response. Further research is required to cover the diverse areas.

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# Indian Banks and Basel II

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**Abstract**—Basel II initially published in June 2004, was intended to create an international standard for banking regulators to control how much capital banks need to put aside to guard against the types of financial and operational risks banks face. Basel II attempted to accomplish this by setting up risk and capital management requirement designed to ensure that a bank has adequate capital for the risk the bank exposes itself to, through its lending and investment practices. This paper helps in detailed study about the Basel II and also helps to find out the relationship between capital adequacy, non performing assets and net profits of some selected private and public sector banks. This paper also explores the effect on Net profit due to change in Capital Adequacy ratio and non Performing Assets.

**Keywords:** Capital adequacy, Basel II, Non-performing Assets, Net profits, Private and Public sector banks.

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## INTRODUCTION

The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. It seeks to promote and strengthen supervisory and risk management practices globally. The Basel Committee introduced a Capital Measurement System in 1988, called the Basel Capital System. This system provided for a minimum capital standard of 8% by end-1992. In June, 1999, the Basel Committee issued a proposal for a New Capital Adequacy Framework to replace the 1988 Accord. A revised framework was issued on 26 June, 2004.

## THE BASEL II CAPITAL ACCORD

Primarily, this Accord was drafted to improve risk management and to improve fraud detection. But over the time, the banking sector witnessed many bank failures. To overcome all these it was argued that Basel II should be designed in a way, to offer protection to bank depositors, by ensuring the reserves kept by banks cover the risks taken by the bank. This is how it offers a new risk-sensitive calculation methodology. It shifts the operational focus of banks from solely a profit-based view to a risk-based view, i.e. banks now have to, by regulatory law, make risk-aversion, risk-mitigation, risk-avoidance and risk transference a core part of their loan approval and profit-generation mechanisms. Banks will be forced to cover a certain percentage (%) of capital to cover market, credit and operational risk.

Basel II is based on three pillars:

- *Pillar 1*: Requires minimum of capital.
- *Pillar 2*: Requires supervisory review process.
- *Pillar 3*: Requires quantitative and qualitative disclosure.

### **THE FIRST PILLAR: MINIMUM CAPITAL REQUIREMENTS**

Pillar I sets out minimum regulatory capital requirements—the amount of capital banks must hold against risks. It retains Basel I's minimum requirement of 8 per cent of capital-to-risk-weighted assets.

### **THE SECOND PILLAR: SUPERVISORY REVIEW PROCESS**

Pillar II defines the process for supervisory review of an institution's risk management framework and, ultimately, its capital adequacy. It sets out specific oversight responsibilities for the board and senior management, thus reinforcing principles of internal control and other corporate governance practices established by regulatory bodies in various countries worldwide.

### **THE THIRD PILLAR: MARKET DISCIPLINE**

Pillar III aims to bolster market discipline through enhanced disclosure by banks. It 'sets out disclosure requirements and recommendations in several areas, including the way a bank calculates its capital adequacy and its risk assessment methods.' The purpose of Pillar 3—market discipline is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). The Committee aims to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of the institution.

In accordance with the CBRC promulgated in February 2004 the provisions of 'The Management Regulations for the capital adequacy ratio of commercial bank', commercial banks 'capital adequacy ratio calculated as follows:  $\text{Capital adequacy ratio} = \frac{\text{core capital} + \text{subsidiary capital-net of items}}{\text{risk-weighted assets} + 12.5 \text{ times of market risk and operational risk capital required}}$  According to regulations, the commercial banks' capital should include two aspects of the core capital and supplementary capital. The core capital includes paid-up capital or common stock, capital surplus, earned surplus, retained earnings and minority interests; subsidiary capital including revaluation reserves, general reserves, preferred stock, convertible

bonds and long-term subordinated debt. However, in calculating the capital adequacy ratio should be excluded deductions. In the core capital, in addition to the increase of a minority stake, will also last year's undistributed profits be included in core capital. Subsidiary capital, used to make up for the special preparation of the extent of the loss of each loan risk classification and other preparations are retained according to the provision of a certain percentage of the total loan balance, used to make up the general provisions of the not yet identified the possibility of loss, removed.

## **REVIEW OF LITERATURE**

Gopinathan (2009) has presented that the financial ratios analysis can spot better investment options for investors as the ratio analysis measures various aspects of the performance and analyses fundamentals of a company or an institution.

Bakar and Tahir (2009) in their paper used multiple linear regression technique and simulated neural network techniques for predicting bank performance. ROA was used as dependent variable of bank performance and seven variables including liquidity, credit risk, cost to income ratio, size and concentration ratio, were used as independent variables. They concluded that neural network method outperforms the multiple linear regression method however it need clarification on the factor used and they noted that multiple linear regressions, notwithstanding its limitations, can be used as a simple tool to study the linear relationship between the dependent variable and independent variables.

Elyor (2009) and Uzhegova (2010) have used CAMEL model to examine factors affecting bank profitability with success. The CAMEL Framework is the most widely used model (Baral, 2005). The Central bank of Nepal (NRB) has also implemented CAMEL Framework for performance evaluation of the banks and other financial institutions. CAMEL stands for capital adequacy, asset quality, management efficiency, earnings performance and liquidity. The capital adequacy ratio is a key measure to determine the health of banks and financial institutions. Capital adequacy refers to the sufficiency of the amount of equity to absorb any shocks that the bank may experience (Kosmidou, 2008).

Rahman *et al.* (2004) and Elyor (2009) noted that interest expenses divided to total loans can be measured as the bank management quality. Ability to support the present and future operations of a bank depends on the quality of its earnings and profitability profile (Share *et al.*, 2011). NRB uses return on total assets as an indicator of profitability of a commercial bank.

## **Suvita Jha\* and Xiaofeng Hui**

The objective of this study was to compare the financial performance of different ownership structured commercial banks in Nepal based on their financial characteristics and identify the determinants of performance exposed by the financial ratios, which were based on CAMEL Model. Eighteen commercial banks for the period 2005 to 2010 were financially analyzed. In addition, econometric model (multivariate regression analysis) by formulating two regression models was used to estimate the impact of capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio and credit to deposit ratio on the financial profitability namely return on assets and return on equity of these banks. The results show that public sector banks are significantly less efficient than their counterpart are; however domestic private banks are equally efficient to foreign-owned (joint venture) banks. Furthermore, the estimation results reveal that return on assets was significantly influenced by capital adequacy ratio, interest expenses to total loan and net interest margin, while capital adequacy ratio had considerable effect on return on equity.

Yuanjuan, Li; Shishun, Xiao: Prime crisis detonated fully exposed the risks of high leverage ratio of financial institutions operating, on the analysis of the effectiveness of capital adequacy is even more important. At present, China's banking capital adequacy ratio is not entirely from external capital markets and bank performance improvement, and also the supervision of the superior pressure. Found in the regression analysis on the 2005–2010 combined data of the 14 listed banks, China's listed banks' capital adequacy supervision must have the effect of showing. Continue to enhance the effectiveness of the capital adequacy ratio regulation.

## **Bank for International Settlement**

'Basel Committee on Banking Supervision announces enhancements to the Basel II capital framework' report issued on 16 January 2009. The Basel Committee on Banking Supervision today issued a package of consultative documents to strengthen the Basel II capital framework. These enhancements are part of a broader effort the Committee has undertaken to strengthen the regulation and supervision of internationally active banks in light of weaknesses revealed by the financial markets crisis. Nout Wellink, Chairman of the Basel Committee and President of the Netherlands Bank, said that 'The proposed enhancements will help ensure that the risks inherent in banks' portfolios related to trading activities, securitisations and exposures to off-balance sheet vehicles are better reflected in minimum

capital requirements, risk management practices and accompanying disclosures to the public.’

### **Santomero, A and Jeffrey T. Trester**

‘Financial innovation and bank risk taking’. In this paper we investigate the effect of one change in the financial sector, namely, the growing ease with which assets created by the banking sector can be sold to other investors. Of interest is whether the reduced cost of value communication and asset sales leads to higher levels of risky lending by the banking sector. Of equal interest is whether these same changes result in riskier banks, i.e., ones that are more vulnerable to instability and failure. The results suggest that the risky asset portfolio held by the banking sector unambiguously increases as a result of the innovations considered. A reduction in illiquidity increases the banking sector's willingness to provide risk capital for real sector investment. On the other hand, it does not imply that banks will become more risky. Rather, there exists a trade-off between external shock risk, which is alleviated by increased asset liquidity, and the risk taking by banks on the returns of their assets, which is encouraged by these market changes.

### **Kero Afroditi**

‘Banks Risk Taking, Financial Innovation and Macroeconomic Risk.’ European University Institute on April 2010. This paper shows how financial innovation, together with the observed changes in the structure of macroeconomic risk in the U.S. economy, can explain the strong growth in primary and secondary credit markets since the 1990s. In the empirical part we document the fall in macroeconomic risk, the financial innovation in the financial markets and the expansion of the prime and secondary credit market. We also show that changes in macroeconomic risk are closely related to the evolution of the prime market. In the theoretical part of the paper we study

### **OBJECTIVE OF THE STUDY**

- a) To study the Basel II.
- b) To find out the relationship between Capital adequacy, Non Performing Assets and Net profits.
- c) To find out the effect on Net profits due to change in capital adequacy ratio and non performing assets.

## METHODOLOGY

The study is based on secondary data. The data were collected from the Capitaline software. It shows the published annual reports of the banks record. The data has also been collected from various websites, magazines and journals.

## PERIOD OF STUDY

The study covers a period of 11 years from 2000 to 2011.

## Sampling

Various public sector banks and private sector banks have been studied. The list is given in Table 1.

TABLE 1: LIST OF PRIVATE AND PUBLIC SECTOR BANKS

Public Banks	Private Banks
State bank of India	Indusind Bank
OBC Bank	HDFC Bank Ltd.
Corporation Bank	Federal Bank
Syndicate Bank	Axis Bank
Bank of India	Kotak Bank
IOB	ICICI Bank Ltd.
Central Bank	J & K Bank

## ANALYSIS INTERPRETATION

TABLE 2: NET PROFIT OF PUBLIC SECTOR BANKS

	State Bank of India	OBC Bank	Corporation Bank	Syndicate Bank	Bank OF India	IOB	Central Bank
2001	1604.25	202.89	261.84	234.94	251.88	115.93	46.46
2002	2431.62	320.55	308.1	250.55	508.83	230.21	163.3
2003	3105	456.95	415.99	344.13	851	416.1	305.52
2004	3681	686.07	504.14	434.13	1008.32	512.76	618.11
2005	4304.52	726.07	402.17	402.9	340.05	651.36	357.41
2006	4406.67	557.16	444.46	536.49	701.44	783.34	257.42
2007	4541.31	580.81	536.14	716.06	1123.17	1008.43	498.01
2008	6729.12	353.22	734.99	848.07	2009.4	1202.34	550.16
2009	9121.23	890.42	892.78	912.82	3007.35	1325.79	571.24
2010	9166.05	1134.68	1170.25	813.32	1741.07	706.96	1058.23
2011	8264.52	1502.87	1413.27	1047.95	2488.71	1072.54	1252.41

Source: Capitaline Software

The table 2 shows the net profit of public sector banks. It shows that the banks' performance has improved. There is an increase in the Net profit over the research period.

### INTERPRETATION

The table 3 shows the net profit of private sector banks. It shows that the banks' performance has shown ups and down during the research period. There is an increase in the net profit over the research period.

**TABLE 3: NET PROFIT OF PRIVATE SECTOR BANKS**

Year	IndusInd Bank	HDFC Bank	Federal Bank	Axis Bank	Kotak M. Bank	ICICI Bank	J & K Bank
2001	40.54	210.12	61.04	86.12	49.6	161.1	167.56
2002	50.75	297.04	82.01	134.14	54.52	258.3	261.72
2003	90.17	387.6	105.01	192.18	44.96	1206.18	337.75
2004	262.06	509.5	136.31	278.31	78.73	1637.11	406.33
2005	210.15	665.56	90.09	334.58	84.89	2005.2	115.07
2006	36.81	870.78	225.21	485.08	118.23	2540.07	176.84
2007	68.22	1141.45	292.73	659.03	141.37	3110.22	274.49
2008	75.05	1590.2	368.05	1071.03	293.93	4157.73	360
2009	148.34	2244.94	500.49	1815.36	276.1	3758.13	409.84
2010	350.31	2948.7	464.55	2514.53	561.11	4024.98	512.38
2011	577.33	3926.4	587.08	3388.49	818.18	5151.38	615.2

*Source: Capitaline Software*

### INTERPRETATION

From the table 4 and 5 it can be analysed that most of the Indian banks have good capital adequacy ratio.

**TABLE 4: CAPITAL ADEQUACY RATIO OF PUBLIC SECTOR BANKS**

Year	State Bank of India	OBC Bank	Corporation Bank	Syndicate Bank	Bank of India	IOB	Central Bank
2001	12.79	11.81	13.3	11.72	12.23	10.24	10.02
2002	13.35	10.99	17.9	12.12	10.68	10.82	9.58
2003	13.5	14.04	18.5	11.03	12.02	11.3	10.51
2004	13.53	14.47	20.11	11.49	13.01	12.49	12.43
2005	12.45	9.21	16.23	10.07	11.52	14.21	12.15
2006	11.88	11.04	13.92	11.73	10.75	13.04	11.03
2007	12.34	12.51	12.76	11.74	11.75	13.27	10.4
2008	13.54	12.12	12.09	11.22	12.04	11.93	9.39
2009	12.97	12	13.66	12.68	13.21	12.7	11.75
2010	12	10.83	15	12.7	12.63	12.7	10.81
2011	10.69	12.3	12.9	11.2	11.42	13.28	10.74

*Source: Capitaline Software*

TABLE 5: CAPITAL ADEQUACY RATIO OF PRIVATE SECTOR BANKS

Year	IndusInd Bank	HDFC	Federal Bank	AXIS Bank	Kotak M Bank	ICICI Bank Ltd.	Jammu and Kashmir Bank
2001	15	11.09	10.29	9	0	11.57	17.44
2002	12.51	13.93	10.63	10.65	30.47	11.44	15.46
2003	12.13	11.12	11.23	10.9	25.7	11.1	16.48
2004	12.75	11.66	11.48	11.21	15.25	10.36	16.88
2005	11.62	12.16	11.27	12.66	12.8	11.78	15.15
2006	10.54	11.41	13.75	11.08	11.27	13.35	13.52
2007	12.54	13.08	13.43	11.57	13.46	11.69	13.24
2008	11.91	15.09	22.46	13.73	18.65	13.97	12.8
2009	12.33	15.09	20.14	13.69	19.86	15.92	13.46
2010	13.4	16.45	17.27	15.8	18.05	19.14	14.81
2011	14.39	15.32	15.39	12.65	18.73	17.63	13.3

Source: Capitaline Software

The banks have improved on their capital adequacy ratio in line with the Basel II norms. The financial health of Indian banking system has improved significantly in terms of capital adequacy ratio during the research period. In comparison to the mandated limit of 9% CAR posed by the Basel II, the average capital adequacy ratio of commercial banks went up to 22.46% of Federal Bank in the year 2008.

## INTERPRETATION

From the table 6 it can be analysed that NPA's of all the public sector banks have shown a declining trend. The banks have improved a lot.

TABLE 6: NPAs OF PUBLIC SECTOR BANKS

Year	State Bank of India	OBC Bank	Corporation Bank	Syndicate Bank	Bank of India	IOB	Central Bank
2001	6.03	3.6	1.98	4.05	6.72	7.01	9.72
2002	5.63	3.2	2.31	4.63	6.02	6.32	7.98
2003	4.5	1.4	1.65	4.29	5.37	5.23	6.74
2004	3.48	0	1.8	2.58	4.5	2.85	5.57
2005	2.65	1.29	1.12	1.59	2.8	1.27	2.98
2006	1.88	0.49	0.64	0.86	1.49	0.65	2.59
2007	1.56	0.49	0.47	0.76	0.95	0.55	1.7
2008	1.78	0.99	0.32	0.97	0.52	0.6	1.45
2009	1.79	0.65	0.29	0.77	0.44	1.33	1.24
2010	1.72	0.87	0.31	1.07	1.31	2.52	0.69
2011	1.63	0.98	0.46	0.97	0.91	1.19	0.65

Source: Capitaline Software

## INTERPRETATION

From the table 7 it can be analysed that NPA's of all the private sector banks have shown a declining trend. The banks have improved a lot.

**TABLE 7: NPAs OF PRIVATE SECTOR BANKS**

<b>Year</b>	<b>Indusind Bank</b>	<b>HDFC Bank</b>	<b>Federal Bank</b>	<b>Axis Bank</b>	<b>Kotak Bank</b>	<b>ICICI Bank Ltd.</b>	<b>J &amp; K Bank</b>
2001	5.17	0.45	10.08	3.43	0	2.19	2.12
2002	6.59	0.5	8.6	3.46	0.01	5.48	1.88
2003	4.25	0.37	4.95	2.39	0.11	5.21	1.58
2004	2.72	0.16	2.89	1.29	0.17	2.21	1.48
2005	2.71	0.24	2.21	1.39	0.37	1.65	1.41
2006	2.09	0.44	0.95	0.98	0.24	0.72	0.92
2007	2.47	0.43	0.44	0.72	1.98	1.02	1.13
2008	2.27	0.47	0.23	0.42	1.78	1.55	1.07
2009	1.14	0.63	0.3	0.4	2.39	2.09	1.38
2010	0.5	0.31	0.48	0.4	1.73	2.12	0.28
2011	0.28	0.19	0.6	0.29	0.72	1.11	0.2

*Source: Capitaline Software*

## INTERPRETATION

From table 8 and 9 it can be analysed that there is a negative correlation between Capital adequacy ratio and NPA's. In Public sector banks there is a negative correlation except for Oriental bank of commerce.

**TABLE 8: CORRELATION TABLE BETWEEN CAR & NPAS**

<b>Correlation Table</b>	
<b>Bank</b>	<b>Correlation Coefficient</b>
State Bank of India	0.492
Oriental Bank of Commerce	-0.278
Corporation Bank	0.962
Syndicate Bank	-0.086
Bank of India	-0.114
Indian Overseas Bank	-0.859
Canara Bank	-0.227

**TABLE 9: CORRELATION TABLE BETWEEN CAR & NPAS**

<b>Correlation Table</b>	
<b>Bank</b>	<b>Correlation Coefficient</b>
Indusind Bank	0.03
HDFC Bank	0.123
Federal Bank	-0.676
Axis Bank	-0.77
Kotak Mahindra Bank	0.084
ICICI Bank	-0.349
Jammu & Kashmir Bank	0.631

In private sector banks there is a mixed response. Some of the banks are having positive and some are having negative correlation. Indusind Bank, HDFC bank, Kotak Mahindra bank and Jammu and Kashmir bank are having a positive correlation where as Fedral bank, Axis bank, ICICI Bank are having a negative correlation.

### INTERPRETATION

From table 10 and 11 it can be analysed that there is a positive correlation between Capital Adequacy Ratio and Net profits in all the private sector banks except for Jammu and Kashmir bank. In public sector banks also there is a positive correlation except for SBI, Corporation Bank and Oriental Bank of Commerce.

TABLE 10: CORRELATION TABLE BETWEEN CAR & NP

Correlation Table	
Bank	Correlation Coefficient
State Bank of India	-0.442
Oriental Bank of Commerce	-0.067
Corporation Bank	-0.391
Syndicate Bank	0.255
Bank of India	0.453
Indian Overseas Bank	0.606
Canara Bank	0.2

TABLE 11: CORRELATION TABLE BETWEEN CAR & NP

Correlation Table	
Bank	Correlation Coefficient
Indusind Bank	0.445
HDFC Bank	0.814
Federal Bank	0.776
Axis Bank	0.696
Kotak Mahindra Bank	0.128
ICICI Bank	0.793
Jammu & Kashmir Bank	-0.276

### INTERPRETATION

From the table 12 and 13 it can be analysed that there is a negative correlation between NPA's and Net profit in all the private and public sector banks except for Kotak Mahindra bank.

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**TABLE 12: CORRELATION TABLE BETWEEN NPA & NP**

<b>Correlation Table</b>	
<b>Bank</b>	<b>Correlation Coefficient</b>
State Bank of India	-0.79
Oriental Bank of Commerce	-0.493
Corporation Bank	-0.699
Syndicate Bank	-0.822
Bank of India	-0.722
Indian Overseas Bank	-0.862
Canara Bank	-0.722

**TABLE 13: CORRELATION TABLE BETWEEN NPA & NP**

<b>Correlation Table</b>	
<b>Bank</b>	<b>Correlation Coefficient</b>
Indusind Bank	-0.649
HDFC Bank	-0.178
Federal Bank	-0.722
Axis Bank	-0.679
Kotak Mahindra Bank	0.405
ICICI Bank	-0.612
Jammu & Kashmir Bank	-0.676

**INTERPRETATION**

**TABLE 14: REGRESSION RESULTS OF PUBLIC SECTOR BANKS**

<b>Sr. No.</b>	<b>Variables</b>	<b>SBI</b>	<b>OBC</b>	<b>Corporation</b>	<b>Syndicate</b>	<b>Bank of India</b>	<b>IOB</b>	<b>Central Bank of India</b>
1	Capital adequacy ratio							
2	Non-performing assets	y	y	y	y	Y	y	y
	Variations explained by all the variables	62.8	28.8	50.5	71.0	66.1	82.4	52.3
	Variations explained by most significant variables	62.4 (NPA)	24.3 (NPA)	48.9 (NPA)	67.6 (NPA)	52.2 (NPA)	75.1 (NPA)	52.1 (NPA)

The main findings of the regression analysis of the public sector banks have been summarised in the table 14. The effect on Net profit due to changes in NPA's and Capital adequacy ratio has been analysed. It shows that NPA's is the main factor that affects the net profits in the public sector banks taken under research study. The effect of NPA on Net profit of different banks are as: 62.4% in SBI, 24.3% in OBC, 48.9% in corporation bank, 67.7% in Syndicate bank, 52.2% in Bank of India, 75.1% in IOB and 52.1% in Central bank of India.

TABLE 15: REGRESSION RESULTS OF PRIVATE SECTOR BANKS (SUMMARY)

Sr. No.	Variables	Indusind	HDFC	Federal	Axis	KOTAK Mahindra	ICICI	Jammu & Kashmir
1	Capital adequacy ratio	y	y	y	y		y	
2	Non-performing assets	y				Y	y	y
	Variations explained by all the variables	63.7	74.1	67.4	53.5	17.3	75.7	49.4
	Variations explained by most significant variables	63.7 (Both equally)	66.2 (CAR)	60.2 (CAR)	48.4 (CAR)	16.4 (NPA)	75.7 (Both equally)	45.7 (NPA)

### INTERPRETATION

The main findings of the regression analysis in Table 15 analysed the effect of NPA's and Capital adequacy ratio on Net profit in private sector banks. It shows that in some banks NPA is the main factor that affects the net profits in the private sector banks taken under research study and in some Capital adequacy ratio. The net profits of Indus Bank and ICICI are affected both by Capital adequacy and NPA's by 63.7% and 75.7% respectively. The net profits of HDFC, Federal, and Axis bank are affected by Capital Adequacy ratio with 66.2%, 60.2%, and 48.4% respectively.

### CONCLUSION

Seven public sector banks and 7 private sector banks have been considered for the study. Net profit, Capital Adequacy and NPAs have been studied from the year 2001 to 2011. The data have been collected from Capitaline software. From table 2 and 3 it can be analysed that Net profits have increased from the year 2001 to 2011. Both the public and private sector banks have shown an increasing trend in their net profits over the study period. It can also be analysed from Table 4 and 5 that Capital Adequacy of private sector bank is more as compared to public sector banks. Table 6 and 7 shows that NPA's of private and public sector are showing a decreasing trend from the study period 2001 to 2011. Further it can be analysed that NPAs of private sector banks are less as compared to public sector banks. Table 8 and 9 shows that correlation between capital adequacy and NPAs. Most of the public sector banks correlation is negative. The table 9 depicts that most of the private sector banks correlation is positive. There is a positive correlation between Capital adequacy ratio and Net profits in all the private sector banks except for Jammu and Kashmir bank. In public sector

banks also there is a positive correlation except for SBI, corporation bank and Oriental Bank of commerce. There is a negative correlation between NPAs and Net profit in all the private and public sector banks except for Kotak Mahindra bank. Table 14 shows the effect of NPAs and Capital adequacy ratio on Net profits in Public sector banks. The result shows that NPA is the main factor that affects the Net profit of banks. Table 15 shows the effect of NPAs and Capital adequacy ratio on Net profits in Private sector banks. The result shows that NPA is the main factor that affects the Net profit of banks.

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# Study the Work–Life Balance of Lady Bus Conductors with Special Reference to Western Maharashtra

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**Abstract**—The purpose of this paper is to discuss the issue of Work life balance of lady bus conductors in western Maharashtra. It will give open insight into the various initiatives taken by MSRTC and help to evaluate its policies and procedure. It will help MSRTC organization to improve and enhance their effectiveness. The fine balance of work life factor will help in improving the productivity of this sector. This paper also aims to find out facilitating and inhibiting factors of work life balance of lady bus conductors. Researcher has taken 10 samples of lady bus conductors from each five zones of western Maharashtra i.e. 50 sample size.

**Keywords:** Lady Bus conductors, Work life balance, Facilitators, Inhibitors etc.

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## INTRODUCTION

### Description of the Phenomenon

In India, women’s responsibilities have generally been focused in the domestic sphere. As more women join the workforce, perception of women and women’s perceptions of themselves are changing. More and more women want to work the same hours and pursue the same career goals as men. Entry of lady as bus conductors in the MSRTC (Maharashtra State Road Transport Corporation) has moved the employee population in the organization from single gender to mixed gender.

According to David Clutter buck Work-life balance is one of the most important issues facing employers and managers today. The business case for paying real attention to work-life issues has never been stronger. This text sets out the roadmap for moving an organization towards a positive work-life culture. With clear and practical advice for HR and line managers alike, Managing Work-Life Balance shows, how to engage employers, managers and employees in the process of controlling the inherent conflicts between the worlds of work and home. Achieving a balance between work and family commitments is a growing concern for contemporary employees and organization.

## **Work Life Balance Consideration Factors**

Many Indian women continue to prioritise family over careers, and it remains common for women to leave their jobs when they marry and stunt family. Government or non Government sector women often face strong pressures from family to discontinue work. If they do remain in the workforce, their work continues after the formal work day ends as they perform housework and care for family members. Women's shifting and conflicting roles can make it difficult for them to achieve a balance between work and family life.

Today, the need of the hour is to find balancing techniques that match the ever changing dynamic organization scenario. Balancing one's work and life is critical for effective productivity at a workplace.

Following are the factors of work life balance: Family factor, Work factor, Marital status, Health factor, Workplace security and Protection, Social life, Working environment, Dress code and discipline

## **LITERATURE REVIEW**

Impact of employee's motivation on passenger's satisfaction levels-A case study in the state of Karnataka (India) by Tammana V. Ramanayya. This Research focused on functioning of transport services in the state of Karnataka by private operators and the public sector operators, KSRTC.

Licensing of conductors of stage carriages Chapter III in Motor vehicle Act 1988. In this act state Government prescribed necessity for conductors license.

**Bus Conductor Career Details:** Bus conductors have a range of responsibilities, which include collecting fares, issuing tickets, helping passengers with baggage, advising on destinations and ensuring the safety of passengers.

Transport Departmental, Policy Note, Demand No. 48 in 2011-12 by V. Senthilbalaji (Ministry for Transport) Government of Tamilnadu:

**Study on the Bus Conductor's Occupational Stress and Stress Prevention by Professor M.A.J. Kompier. Department of Work and Psychology, University of Nijmegen.** This study provides the information about the effectiveness of the measures and indicated additional measures for work stress management by paying attention on quality of working life.

**Centre for Trade Union and Human Rights (CTUHR) HB3370 or Inc.** "An Act regulating the compensation of public utility bus drivers and

conductors by requiring bus operators to pay them fixed monthly salaries and providing penalties for violations thereof.” CTUHR position.

**Constructs of Quality of Work–Life—A Perspective of Textile and Engineering Employees. Mu. Subrahmanian, Anjani:** According to this research, the success of any organization is highly dependent on how it attracts recruits, motivates, and retains employees on its workforce.

**Workplace environment and its impact on organizational performance in public organization. Dr. K. Chandrashekhar:** This research focused on the workplace environment. It creates impacts on employee morale, productivity and engagement both positively and negatively.

## **OBJECTIVES AND SCOPE OF THE STUDY**

### **Research Objectives**

- RO1: To study the factors contributing towards raising work life balance of lady bus conductors.
- RO2: Classifying the factors as inhibitors and facilitators and exploring its impact.
- RO3: To analyze the response of lady bus conductors on various functions and issues related to their protection in MSRTC organization.
- RO4: Formulate a framework of measures for effective maintenance of work life balance of lady conductors for MSRTC organization.

## **SCOPE OF THE STUDY**

### **Conceptual Scope**

- a. To avoid discrimination, misunderstanding, cultural differences and other barriers in lady bus conductor profession of MSRTC organization.
- b. To make lady bus conductors more comfortable at workplace, so they can contribute efficiently in increase productivity as well as financial return of MSRTC organization.
- c. To promote growth and development of lady conductors in the Road transport corporation.

## **Geographical Scope**

The study shall be carried out in MSRTC divisions located within Satara district of Maharashtra.

## **LIMITATIONS**

1. The study is limited to lady bus conductors.
2. The study is restricted to MSRTC within western Maharashtra.

## **SIGNIFICANCE OF THE RESEARCH WORK**

### **Reasons for Selection of the Topic**

In the second half of the 20<sup>th</sup> century, dramatic increase in the percentage of the women who entered the workforce even this workforce is male dominated profession throughout the world. Working women is a major part of labor market of Indian organization and contribute to home and national economy. They should be given the due respect and status which they deserve in the society. That's why the Government and non Government Organization should come forward to uplift the status of women by balancing their work life because throughout the world women participation in economic activities is increasing, so her problem at any level should not be ignored.

1. According to a research conducted by the Corporate Executive Board, work-life balance is one of the most important workplace attributes-second only to compensation. It also found that employees who feel they have a better work-life balance tend to work 21 percent harder than those that don't.
2. Times city tracks some women who have broken male bastions and shown, she can take you for a ride you have seen them drive or ride to work. But issue tickets on a bus and even drive one? Till recently, public transport was not something you associated women with. Now Government stepping forward for enhances the growth and development of women in road Transport Corporation.
3. In 2008 The Maharashtra State Road Transport Corporation (MSRTC) celebrated its 60th anniversary, this success story stands apart. The scheme to employ women bus conductors was failed within Mumbai, there was more comments on the hiring women as a bus conductors in BEST (Mumbai Transport) organization. The failure of women bus conductors in BEST showed some reasons like for this profession

working condition does matter for women as compared to male bus conductors.

4. Work-Life balance-A mere concept without a solution? By Binu Paul, Silicon India, Thursday, 16 December 2010, 05:25 IST
5. Now, woman conductors for MSRTC by Ashish Wagh, Copyright © 1997 Indian Express Newspapers (Bombay) Ltd. [www.expressindia.com/news/ie/daily/19970524/14450723.html](http://www.expressindia.com/news/ie/daily/19970524/14450723.html)
6. Popular Articles About Women Conductors MUMBAI Women conductors man ST buses October 27, 2008 | TNN

## **Intended Contributions**

### ***MSRTC Organization***

Maharashtra State Road Transport Corporation is also referred to as simply ST is a state run bus services based in Maharashtra, India with 16000 buses that ferry 7 million (70 Lakh) passenger daily on 17000 routes. It is third largest bus services provider in India, which services routes to other towns and cities within the same and adjoining states. Apart from interstate cities MSRTC bus services also cover destinations like Ahmedabad, Banglore, Goa, Indore and Surat. It is one the largest fleet owner in India. It also offers online booking for all 17000 routes.

## **Drivers & Bus Conductors**

### ***Category of Employee-Class III***

Initially, MSRTC was male dominated profession. Maharashtra State Government has to fulfill their 30% reservation quota given to the women in this profession and they are stepping towards this decision by taking great number women as a bus conductor. This research will helpful in following way-It will give open insight into the various initiatives taken by MSRTC and help to evaluate its policies and procedure. It will help MSRTC organization to improve and enhance their effectiveness. The fine balance of work life factor will help in improving the productivity of this sector.

## **Academics**

The research on 'work life balance of lady bus conductors' gives additional input in area of Human Resource Management. The world of work is changing: new technology, new global pressures, more women working, more young people and an expansion of the older generation. The proposed study

will contribute in adding vital findings about these previous circumstances for work life balance in Government sector, applicability of statutory benefits laid down by the Government as well as legal aspects of employment for maintaining complementary balance in work life, pertaining particularly to MSRTC organization.

## **RESEARCH METHODOLOGY**

### **Research Type**

A descriptive research is proposed to perform the study aimed at describing the concept and characteristics of work life balance like its parameters, facilitators and inhibitors.

### **Hypothesis**

- *Hypothesis 1:* Facilitators are supportive to handle work life balance of lady bus conductors.
- *Hypothesis 2:* Inhibitors are not supportive to handle work life balance of lady bus conductors.

### **Data Sources**

This study based on both primary and secondary information. Secondary data-Secondary information will be collected by reviewing MSRTC Web Sites, journals, brochures, publications and other relevant documents.

**Primary data:** Structured questionnaire, Five Point Likert Scale (Strongly Agree, Agree, Neither Agree nor Disagree, Disagree, Strongly Disagree.) and semi-structured interview will be used to collect information from the respondents.

### **Sampling Plan**

**Population:** All lady bus conductors in Satara district Maharashtra.

**Sample Size:** 50 sample size has taken so that there is sufficient representation from lady bus conductors.

### **Sampling Technique**

Cluster sampling is proposed to be used for the study. For this research sample collected from MSRTC organization, Satara division.

## Data Analysis

TABLE 5.1

Sr. No.	Religion	No.	Percentage
1	Hindu	33	66%
2	Muslim	12	24%
3	Jain	3	6%
4	Christian	0	0%
5	Other	2	4%
	Total	50	100%

From above table it reveals that, total 66% are Hindu respondents, 24% are Muslim, 6% are Jain, 4% are other respondents.

TABLE 5.2

Sr. No.	Experience	No.	Percentage
1	0-1 year	4	8%
2	2-3 Year	30	60%
3	< 3 Year	16	32%
	Total	50	100%

From above table it reveals that, total 8% respondents are fresher or having 1 year of experience, 60% having 2-3 years of experience, and 32% having more than 3 years of experiences.

TABLE 5.3

Sr. No.	Education Qualification	No.	Percentage
1	12 <sup>th</sup>	37	74%
2	Under graduation	13	26%
3	Post Graduation	0	0%
4	Other	0	0%
	Total	50	100%

From above table it reveals that, 74% respondents are 12<sup>th</sup> pass 26% are qualified up to graduation.

TABLE 5.4

Sr. No.	Marital Status	No.	Percentage
1	Married	37	74%
2	Unmarried	13	26%
	Total	50	100%

From above table it reveals that, 74% respondents are married 26% are unmarried.

TABLE 5.5

Sr. No.	Family Type	No.	Percentage
1	Joint Family	39	78%
2	Nuclear Family	11	22%
	Total	50	100%

From above table it reveals that, 78% respondents living in joint family and 22% are living in nuclear family.

TABLE 5.6

Sr. No.	Children	No	Percentage
1	0	16	32%
2	1	9	18%
3	2	22	44%
4	<2	3	6%
	Total		100%

From above table it reveals that, 32% respondents don't have children, 18% have one child, 44% having 2 children and 6% respondents having 3 or more than 3 children.

TABLE 5.7

Sr. No.	Age Group of Children	No.	Percentage
1	0-5 Year	12	24%
2	6-10 Year	34	68%
3	11-15 Year	17	34%
4	16-20 year	6	12%

From above table it reveals that, 24% children belong to 0-5 year age group, 68% are belong to 6-10 year age group, 34% are belong to 11-15 and 12% children belong to 16-20 year of age group.

TABLE 5.8

Sr. No.	Elder to Look After at Your Home	No.	Percentage
1	Yes	37	74%
2	No	13	26%
	Total	50	100%

From above table it reveals that, 74% respondents said that, there is elder to look after at their home and 26% said no.

TABLE 5.9

Help for Taking Care of Children	No.	Percentage
Spouse	12	24%
In-laws	37	74%
Parents	11	22%
Servants	0	0%
Crèche/day care centers	8	16%
Not applicable	13	26%

From above table it reveals that getting help for taking care of children 24% from spouse, 74% from In-laws, 22% from parents, 16% from day care centers, not taking help from servant and 26% respondents said that it is not applicable to them.

TABLE 5.10

Sr. No.	Feeling about Time Spend at Workplace	No	Percentage
1	Very unhappy	7	14%
2	Unhappy	30	60%
3	Indifferent	6	12%
4	Happy	7	14%
5	Very happy	0	0%
	Total	50	100%

From above table it reveals that 14% respondents are very unhappy about their work, 60% are unhappy, 12% are with indifferent opinion about their work, 14% are happy and no one respondent is very happy about their work.

TABLE 5.11: THE FOLLOWING CHALLENGING FACTORS HELP YOU BALANCE YOUR WORK AND FAMILY COMMITMENTS

Aspects	Mean	Rank	SD
I am Spending time with friends	2.58	6	0.961041
Get home on time	2.58	6	0.961041
Keep healthy and fit	2.14	8	0.447661
Take part in community activities or fulfill religious commitments	2.22	7	1.136486
Take care of family and spend time with them	1.9	9	0.830662
Attend functions at home	2.84	5	0.703136
Festival celebration with family	2.84	5	0.703136
Involvement in decision making for most of the issues in family.	3.42	4	0.532541
Workplace Problem result in short temperedness at home.	4.44	3	0.92
As Shift timings keep changing it plays havoc with my family commitments and body system.	4.62	1	0.745386
I maintain poor work life balance family get disrupted and contact between families members break up.	4.5	2	0.9

From above table it reveals that, there are several challenging factors which affect on balancing work-life respectively, irregular work shifts, poor work life, workplace problem result in short temperedness at home, problem in involvement of decision making for most of the issues in family, problem in attending the functions and celebrating the festival at home and getting less time to spend with family friend.

TABLE 5.12: WORK SHIFTS

Opinion about Work	Mean	Rank	SD
Difficulty in doing night shift because of perception of family members.	3.96	4	0.93723
Difficulty in doing night shift because of unavailability of ladies room and security.	4.74	1	0.438634
Difficulty in doing long route duties because of extension of working hours.	4.08	3	0.716659
Difficulty in doing ordinary/ local route duties because of over workload.	3.5	8	0.8544

Table 5.12 (Contd.)...

...Table 5.12 (Contd.)

Working hours are fixed.	1.04	10	0.195959
Because of fluctuating working hours it's difficult to face miss understanding of family members.	3.7	7	0.984886
Fluctuating working period is foremost reason to leave the job.	3.4	9	1.058301
I am often think or worry about work (when you are not actually at work)	4.1	2	0.781025
I am ever miss out any quality time with my family or my friends because of pressure of work	3.84	5	0.856971
I ever feel tired or depressed because of work.	3.68	6	1.008762

From above table it reveals that the hard area of work life balance where respondents are highly difficult in doing night shift because of unavailability of ladies room and security, often think and worry about their work responsibilities, Difficulty in doing long route duties because of extension of working hours, Difficulty in doing night shift because of perception of family members, ever miss out any quality time with my family or my friends because of pressure of work, ever feel tired or depressed because of work, and Because of fluctuating working hours it's difficult to face miss understanding of family members, ranking respectively.

TABLE 5.13: WORKING CONDITIONS

<b>Working Conditions</b>	<b>Mean</b>	<b>Rank</b>	<b>SD</b>
Proper space provide for keeping my material in bus.	5	1	0
Provide first aid box for every bus.	1	10	0
Behavior of passengers with you is appreciable.	3.22	8	1.171153
Getting proper support from my management for any misshapen/ grievance/accident/ misfortune	2.62	6	1.129425
There is getting justice for any misshapen/ grievance/accident/ misfortune by listen both side conductors as well as passengers.	3.78	4	1.025475
I am able to learn my job and will continue to learn as my career progress.	3.66	5	1.335814
I find it difficult to say 'no' to additional commitments or responsibilities at work.	3.3	7	1.473092
I gain status in the society by working in male dominated profession.	4.76	2	0.736478
Physical harassment in workplace has been a major source of worry women.	3.84	3	1.286235
Relationship at work is comfortable for me.	3.08	9	1.036147

From above table it reveals that, working conditions of respondent. They are providing proper space for keeping their material in bus, gain status in the society by working in male dominated profession, physical harassment in workplace has been a major source of worry, getting justice for any misshapen/ grievance/accident/ misfortune by listen both side, getting

proper support from management for any misshapen/ grievance/accident/ misfortune, find it difficult to say 'no' to additional commitments or responsibilities at work and behavior of passengers with them is rarely appreciable ranking respectively.

TABLE 5.14: HEALTH RELATED PROBLEMS

Health Problems	Mean	Rank	SD
I feel that I get headache daily.	4.16	4	0.417612
I have a problem of increased irregular periods.	4.68	2	0.676461
Most commonly, I suffer with back pain as I travel for long hours in my job.	4.7	1	0.538516
I feel sever fatigue as I do same kind of work for long hours.	4.06	5	0.785111
I have throat infection as I instruct/ talk a lot to passenger.	3.06	7	1.377098
I am anxious about my health.	3.56	6	1.116423
I feel that I have periodic weight loss.	4.42	3	1.021567

From above table it reveals that respondent having certain health problem mainly back pain, irregular Periods, periodic weight loss, headache and sever fatigue.

TABLE 5.15: OPINION ABOUT UNIFORM/ DRESS CODE

Opinion about Uniform/ Dress Code	Mean	Rank	SD
I am Comfortable with my dress code(Pant & shirt)	2.84	6	1.101998
Religious aspects affect on wearing dress code.	4.3	2	1.004988
It's convenient when shirt have on Punjabi suit	4.76	1	0.427083
It's convenient when shirt have on sari.	2.88	5	1.380435
It's difficult to carry a sari at workplace	3.44	3	1.639024
Restriction from family members to wear a sari at workplace	3.06	4	1.347739

Above table reveals the opinions about dress code/ uniform, pant and shirt is complete uniform but religious aspects affect on wearing full dress code. Respondents are more comfortable when shirt have on Punjabi suit and less comfortable when shirt have on sari. It's difficult to carry a sari at workplace but there is restriction from family members to wear a sari at workplace.

TABLE 5.16: FACILITATOR OF WORK LIFE BALANCE

Facilitator of Work Life Balance	Mean	Rank	SD
Ladies room with security for Night shift	5	1	0
Availability of food from depot canteen	4.12	4	1.394848
Avoid Frequent traveling away from home place	4.6	3	0.663325
Offer duties those can be over in given working hours.	4.6	3	0.663325
Getting compulsory off at festival.	4.74	2	0.438634

From above table it reveals that the facilitators of work life balance respectively, ladies room with security for night shift, getting compulsory off at festival, avoid frequent traveling away from home place and offer duties those can be over in given working hours, availability of food from depot canteen.

TABLE 5.17: INHIBITORS OF WORK-LIFE BALANCE

<b>Inhibitors of Work-life Balance</b>	<b>Mean</b>	<b>Rank</b>	<b>SD</b>
Hours of Work	4.26	2	1.15147
Travel to Work	2.8	5	1.313579
Travelling in Work	3.92	3	1.249941
Unavailability of Holiday at Festivals	4.34	1	0.899019
Unpaid Time off	3.3	4	1.287192
Caring for Children	3.92	3	1.280931
Caring for adult/ adults	3.92	3	1.280931

From above table it reveals that inhibitors of work life balance respectively Unavailability of Holiday at festivals, Hours of Work, Travelling in work, Caring for Children and Caring for adult/ adults, Un paid time off, Travel to Work.

TABLE: 5.18: INSPIRING WORK-LIFE BALANCE ASPECT

<b>Inspiring Work-life Balance Aspect</b>	<b>Mean</b>	<b>Rank</b>	<b>SD</b>
I feel like I have little or no control over my work life	4.16	1	0.99725
I regularly enjoy hobbies or interests outside of work	1.88	3	0.98299
I frequently feel anxious or upset because of what is happening at work	4.16	1	0.99725
When I am at home I feel relaxed and comfortable	4.16	1	0.99725
I have time to do something just for me every week	1.88	3	0.982993
I rarely lose my temper at work	3.86	2	0.792366
I never use all my allotted vacation days	1.72	4	0.817457
I frequently think about work when I'm not in work	4.16	1	0.997251
My family is frequently upset with me about how much time I spend working	4.16	1	0.997251

From above table it reveals the respondent's need to encourage these Work-life balance aspect respectively, no control over their work life, anxious or upset because of what is happening at work, at home they feel relaxed and comfortable, frequently think about work when they are not in work, family is frequently upset with them about how much time they spend on working, lose their temper at work, sometime they enjoy hobbies or interests outside of work, every week have time to do something just for them only and they never use all allotted vacation days.

## HYPOTHESIS TESTING

*Hypothesis 1:* Facilitators are supportive to handle work life balance of lady bus conductors.

Opinion about Facilitators	Ladies Room with Security (F1)	Getting Obligatory off at Festival (F2)	Avoid Frequent Travelling (F3)	Total
Agree	50	50	47	147
Disagree	0	0	3	3
	50	50	50	150

Degree of Freedom = (c-1) (r-1)

= (3-1) (2-1)

= 2

Table Value of  $\chi^2$  at 5% level =

Table value (5.991) < Calculated Value (6.12)

Alternative hypothesis is accepted.

Facilitators are supportive to handle work life balance of lady bus conductors. They are related to each other and make a great impact on work life balance.

Opinion about Inhibitors	Unavailability of Holidays at Festivals (I1)	Hours of Work (I 2)	Travelling in Work, Caring for Child and Adults (I 3)	Total
Agree	44	42	36	122
Disagree	6	8	14	28
	50	50	50	150

*Hypothesis 2:* Inhibitors are not supportive to handle work life balance of lady bus conductors.

Degree of Freedom = (c-1) (r-1)

= (3-1) (2-1)

= 2

Table Value of  $\chi^2$  at 5% level =

Table value (5.991) > Calculated Value (4.54)

Null hypothesis is accepted.

Inhibitors are not supportive to handle work life balance of lady bus conductors. It creates negative impact on work life balance of lady bus conductors.

## **FINDINGS**

1. In this profession majority women come from Hindu and Muslim religions.
2. Greatest part of ladies has taken education up to 12<sup>th</sup> standard that is minimum qualification.
3. Married lady bus conductors those living in nuclear family play more conflicting in facing work life balance while look after their children, children's education, look after older person and handling their responsibility. Very few of them having elder to look after their child and family
4. Majority lady bus conductors are not happy about their work because of not fixed working hours and unable to handle family as well as job responsibility.
5. There are several challenging factors which affect on balancing work-life respectively, irregular work shifts, poor work life, Workplace Problem result in short temperedness at home, Problem in involvement of decision making for most of the issues in family, Problem in attend the functions and celebrate the festival at home and getting less time to spend with family friend
6. These are the hard area of work life balance where lady bus conductors are highly difficult in doing night shift because of unavailability of ladies room and security, often think and worry about their work responsibilities, Difficulty in doing long route duties because of extension of working hours and perception of family members, ever miss out any quality time with their family or friends because of pressure of work, ever feel tired or depressed because of work, and Because of fluctuating working hours it's difficult to face miss understanding of family members.
7. At workplace, providing Proper space for keeping their material in bus, Physical harassment in workplace has been a major source of worry, getting justice and support from management for any misshapen/ grievance/accident/ misfortune by listen both side, gain status in the society by working in male dominated profession and behavior of passengers with them is rarely appreciable.
8. Lady bus conductors suffering through certain health problem mainly back pain, irregular Periods, periodic weight loss, headache and sever fatigue.

9. Lady bus conductors are more comfortable when shirt have on Punjabi suit and less comfortable when shirt have on sari but some of them pressurized by religious and cultural aspect and can't use proper dress code.
10. Making available Ladies room with security for Night shift, giving compulsory off at festival, some time give duties those required traveling away from home place and offer duties those can be over in given working hours, availability of food from depot canteen these are the facilitators positively effort on work life balance.
11. Unavailability of Holiday at festivals, Hours of Work, Travelling in work, Caring for Children and Caring for adult/ adults, Un paid time off, Travel to Work these are the inhibitors negatively effort on work life balance.
12. It's need to encourage these aspects of Work-life balance like no control over their work life, anxious or upset because of what is happening at work, at home they feel relaxed and comfortable, frequently think about work when they are not in work, family is frequently upset with them about how much time they spend on working, lose their temper at work, sometime they enjoy hobbies or interests outside of work, every week have time to do something just for them only and they never use all allotted vacation days.

## **CONCLUSION**

Maintaining any once Work life balance is always beneficial from both the side employees as well as organization. In MSRTC entry of ladies as a bus conductor is a prominent thing for organization but for their improvement, development and attracting other women towards this profession, need to examine their difficulties at workplace so they can attain family responsibilities. As per the Indian context any woman who has working at top most level until and unless she has to look after their child, family members, family chores etc. She can't ignore her family responsibility. If women handling both family and job responsibilities in good manner then no can object "why she is working?" Helping out the lady bus conductors in maintain work life balance, improves their career growth in MSRTC.

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# Business Excellence through TQM

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**Abstract**—*Business excellence models provide a framework for excellence to the organizations. The case examines the quality initiatives taken by leading air-brake manufacturer, sundram clayton to win the world's highest award of quality, the Deming award. The company TQM experience and its preparation for winning the award explored in detail. The paper finds that total quality management (TQM) implemented in the Deming prize framework has a positive effect on business performance.*

**Keywords:** *Business Excellence, Deming prize, Total Quality Management*

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## **INTRODUCTION**

Indian industry is facing stiff competition from rivals like, china, korea, and many other nations. It is high time that is focused more upon attaining world-class standards in terms of the quality of its products and services. Of late, Indian companies have demonstrated many successes on this front, such as winning Deming prizes. We must understand that although but companies have won the crucial battle of saving their home turf, the war is still not over as long as we do not make our stronghold in the international arena. So far, our companies have been attaching the highest priority to attaining ISO certifications, but they keep in mind that if ISO clauses are not implemented seriously, the companies may be deceiving themselves. The crux of the issue is that whatever quality philosophy we follow, be it TQM, Six Sigma, ISO 9000, or something else, we must have a continuous zeal and serious intentions of improving the quality of our products and services.

## **QUALITY JOURNEY IN INDIA**

It is known fact that that concept of quality has been around for a long time, but the stress on the word quality in every aspect of life i.e. in business, service or social life has increased in the last few decades. Quality has awakened all the nations, industries and organizations around the world. The word 'quality' means different things to different people. The ranges of meanings include that quality is excellence, value, conformance to

specifications, conformance to requirements, fitness for use, customer satisfaction. The taj Mahal, located in Agra, is one of the Seven Wonders of the World, the konark sun Temple in Orissa, are the testimony to the rich cultural heritage are all Architectural marvels which boast of high degree of excellence and excellent quality. Indian companies are also participating in the quality race, although slowly. They are facing a challenge from the multinational companies since the Government of India implemented the policies of liberalization, privatization and globalization. In the light of this, the Indian companies are in dire need of new ideas, approaches and techniques for attaining a competitive edge. Industry associations like the Confederation of India (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Indian Statistical Institute (ISI), Nasscom, and specialized institutions like National Productivity Council (NPC) have a part of their organizations devoted to helping the industry in the formulation and implementation of quality management programmes, education and training programmes and provide consultancy services. The bureau of Indian standards, has also established quality standards in accordance with international system standards, with main task of product standardizations. Today we witness a world that has changed a world that has changed dramatically since the nineties. Globalization is here to stay.

### **TQM IN INDIA**

India's interest about TQM came about by years of selfless contribution of one Japanese Professor yoshikazu tsuda, invited by confederation of Indian industry (CII) to introduce TQM to Indian manufacturing industry. He was the guide assigned by Japanese union of scientist and engineers that is responsible of the promotion of TQM in Japan & the world over. After the successful implementation TQM in Sundram Clayton, Professor Tsuda set up two clusters of 20 maruti's suppliers to take them this journey. The resounding success of several Indian manufacturing and service firms in recent times has invariably been linked to excellent practices to quality management. If you consider the auto-component manufactures in India, many of them won the Deming Award for quality, the largest number outside Japan. Similarly, India has the largest number of CMM Level 5-certified Software Company in the world. With such international recognition in quality, these two sectors of our industry were able to compete globally. Indian companies seem to be in the favorites list of the Deming Awards (termed as the Nobel Prize in the world of manufacturing) of Japan. The Japanese Union of Scientists and Engineers (JUSE) Started the Deming prize in 1951. Initially, this prize was open only to the Japanese industry, but in 1985 it was open thrown open to the rest of the world. From 1998 onwards,

Indian companies started figuring in the Deming prize list, with Sundaram Clayton's brakes division claiming the honor first.

- Sundram-Clayton Limited, Brakes Division.
- 2001 Sundaram Brake Lining Limited.
- 2002 TVS Motor Company Limited.
- 2003 Brakes India Limited, Foundry Division.
- Mahindra and Mahindra Limited, Farm Equipment Sector.
- Rane Brake Linings Limited.
- Sona Koyo Steering System Limited.
- SRF Limited, Industrial Synthetics Business.
- Business Lucas-TVS.
- Indo-Gulf Fertilizers Limited.
- Krishna Maruti Limited, Seat Division.
- Rane Engine Valves Limited.
- Rane TRW Steering System Limited, Steering Gear Division.
- 2007 Aashi India Glass Limited, Auto Glass Division.
- Rane (Madras) Limited.
- Tata Steel Limited.
- National Engineering Industries Limited (India).

### **CASE: TQM JOURNEY OF SUNDRAM CLAYTON**

The leading manufacture of air-braking systems in India, Sundram Clayton Ltd. Is the flagship company of TVS group. Named after its founder, T.V. Sundram Iyanger. The TVS group begin its journey in chennai (India) in 1911. Over the year, group diversified into two wheeler, auto component, automotive sphere etc. Sundaram-Clayton has won acclaim and international recognition for setting global quality standard. From the swamp of unreliable quality that the traditional India incorporation was known for, sundram-clayton has emerged the flag bearer of global class. Despite its disdain for TQM, Sundram-Clayton, the manufacturer of air-brake systems and castings has emerged as Asia's-first-ever winner of the Deming Prize for overseas companies. Sundaram-clayton's integrated

Deming's 10 parameters into the 4 streams of its quality practices, namely policies, people, processes, and products, respectively. 'Quality is the way of life' and this is reflected in the practices at Sundaram Clayton, which is a part of TVS group. Deming award is conferred either to a company or stand-alone division, which manages its business in an autonomous mode like the break division of SCL. It looks for exemplary improvement in performance through the practice of TQM, establishment and achievement of challenging and customer-oriented business objectives, and outstanding results. Its TQM model ensures Total Employee Involvement, Policy Deployment, Standardization, Kaizen, and Training, besides promoting employer-employee relations.

The beginning of Sundram's journey to TQM path was on a tough terrain, when in late 1980's it was struggling to overcome the after-effect of recessionary trend in auto-sector and fast emerging stiff competition in this sector. Four important phases can be noticed in SCL journey to TQM: (1) introduction phase 1987 to 1990, in the first phase, two important steps were taken. First step was 'training and involvement of all concerned' and second was 'change management'. Every possible platform of communication was exploited to stress upon the importance of change to all the employees and clear message were given about top management commitment to quality. Top management focused on removing all possible barriers to employee's participation and team working. The company realized well that the only way to succeed in the TQM journey is through employees' involvement, team work and continuous improvement. (2) Promotion phase 1990 to 1994, Focus of the second phase was mainly on alignment of each department towards common objectives of the company. The company annual goals were deployed to each department/ divisions. (3) Methodology deployment phase 1994 to 1998, third phase involved daily work management in the form of defining and monitoring key processes, ensuring that they met set targets, (4) consolidation and growth phase 1998 onwards. SCL had decided to apply for the Deming prize in the early 1990s itself. This decision was the result of management's belief in the total quality control efforts that had started in 1979, after Venu Srinivasan became CEO in 1977. A SWOT analysis conducted by Srinivasan in 1997 revealed that though the company had a 90% share of the air-brake systems market in India; it was not competent enough to deliver world-class quality products. The analysis prompted the company to seek excellence through total quality control/management.

## Road map for competitiveness

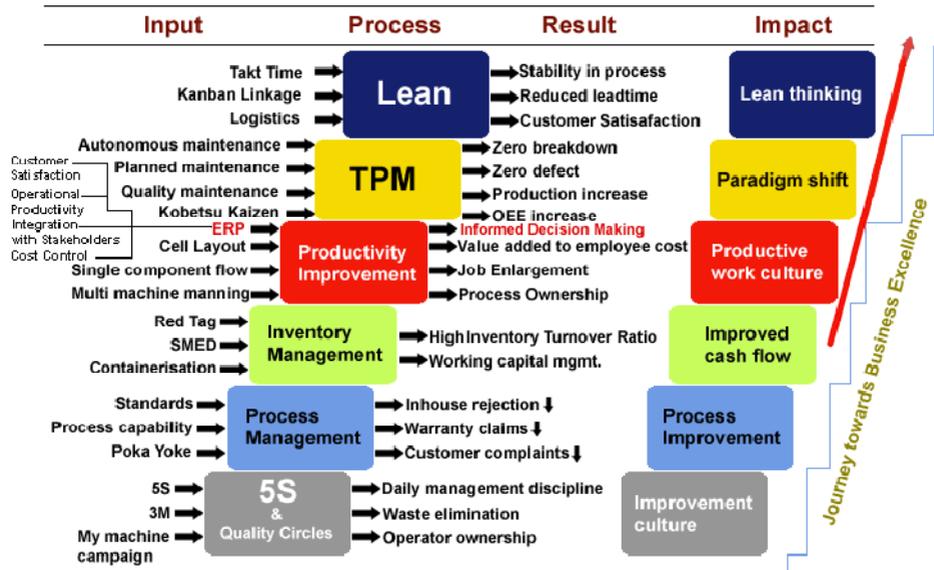


Fig. 1: Road Map for Competitiveness as Applied by SCL

(Source: 'Model for Competitiveness', Confederation of Indian Industry (CII) Institute of Quality, Bangalore, India)

### AFTER WINNING THE PRIZE

The defect rate in the manufacturing process at SCL decreased substantially and customer returns came down as a result of these quality control initiatives. Sundram noticed many tangible and intangible benefits in their journey of TQM. There were all-round improvement in customer satisfaction, new product development, supplier satisfaction, employees and their family satisfaction, breakthrough achievement in business results. SCL believes that Deming Prize is not only a ticket for TQM journey towards organizational excellence. Quality goals are moving targets. It knows that its future lies in further improving the product quality and productivity along reducing costs and implementing lean manufacturing systems and TPM.

The present study has resulted in the following valuable lessons:

1. Globalization has thrown new challenges as well the opportunities.
2. Implementation of TQM leads to improvement in performance.
3. Culture is an important issue for the success of TQM.
4. Awards models provide a roadmap, a framework for excellent.

## CONCLUSION

Compulsion of competitive business environment is not merely to do well, but to do well than the competitiveness. This challenging situation is compelling industries to opt for new strategies leading to superior performance: the goal of TQM system. This calls for rethinking and reworking of an organization's existing processes, position, posture and attitude with a view to transforming the organization to enable it to cope with the changing context of business, where customer is king. TQM provides the vehicle for change and transformation by making the organization more customers focused people driven, flexible and committed to continuous improvement. Sundram Clayton is a competitive company and is transforming for globalization. It has adopted strategic approach to managing quality.

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# Microfinance Self-Help Group Bank Linkage Model with Growing Seeds and Saplings: An Assessment

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**Abstract**—*Micro-Finance Self-Help Group Bank Linkage Model with Growing seeds and saplings: An assessment*

*The new developments promise to bring about an era of change to a sector that has seen surging growth. The gross loan portfolio of India's microfinance sector accounts for more than 7 per cent of the sector's world-wide loan portfolio size. As much as 30 per cent of the world's microfinance borrowers are in India. While the average size of a microfinance loan is \$522.8 globally, according to MIX Market data, the average loan size in India is only about a fourth of that at \$144. India is the largest microfinance market in the world, with some 120 million homes with no access to financial services, estimates CRISIL Research. In the recent past Micro finance is growing very rapidly and getting its due attention from banks, Non-Government organizations and the Government. Its concept is based on the empowerment of the best known programmes among the administrators, NGO sand bankers. Microfinance has found the SHG profitable, viable and as successful tool of social empowerment and no bank has reported any NPA under the SHG bank linkage. Rural penetration of banks in India is low around 18%. Annual credit from banks to SHGs in Rajasthan is stagnant in the range of Rs. 160–220 crores. Only about 60% of SHGs have been able to take credit from banks in last 10 years. Whereas the annual credit in state like Andhra Pradesh is to the tune of Rs. 5000 crores.*

*Innovation in microfinance could foster multiple folds could only bring by initiative in rural up-bringing through the effective approach of financial inclusion. With the new philosophy and policies pertaining to micro credit, micro finance institutions (MFIs) such as Self-Help Groups (SHGs) have emerged and they now have a strong footing in the developing countries such as Bangladesh, India etc.*

**Keywords:** *microfinance, self help group bank linkage model, innovation, future strategies.*

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## INTRODUCTION

Microfinance in India is part of the larger financial framework and Micro-finance institutions (MFIs) are emerging as social businesses within this framework, catering to an untapped market segment while creating value for

their shareholders. MFIs have emerged as the most important channel in Indian microfinance supply with a market share of almost 47 per cent, growing rapidly compared to the self help group (SHG)-Bank linkage channel. In the last five years, Indian microfinance has demonstrated impressive growth rates, compelling financial performances and increasing efficiencies, faring exceptionally well when benchmarked against their Asian counterparts.

With very high growth rates, many in the range of 75–100 per cent portfolio growth annually, MFIs are reaching out to their clients faster with higher loans sizes. Innovation in microfinance has continued and providers of financial services to the poor continue to evolve. Today, the World Bank estimates that about 160 million people in developing countries are served by microfinance. This changing face of microfinance in India appears to be positive in terms of the ability of microfinance to attract more funds and therefore increase outreach. Microfinance sector has grown rapidly over the past few decades. Nobel Laureate Muhammad Yunus is credited with laying the foundation of the modern MFIs with establishment of Grameen Bank, Bangladesh in 1976. Today it has evolved into a vibrant industry exhibiting a variety of business models.

NABARD is instrumental in facilitating various activities under microfinance sector at the ground level, involving all partners, viz., NGO, bankers, socially spirited individuals, other formal and informal entities and even government functionaries. Microfinance Institutions (MFIs) in India exist as NGOs (registered as societies or trusts), Section 25 companies and Non-Banking Financial Companies (NBFCs). Commercial Banks, Regional Rural Banks (RRBs), cooperative societies and other large lenders have played an important role in providing refinance facility to MFIs.

The SHG-BLP programme has reached with 4000 partners not only government agencies but also NGOs enabling now 97 million poor household access to financial services for sustainable financial services from banking system in march 2011. Now 74.62 lakh SHGs are directly linked to different banks contributing regular savings. As on 31 March 2010, there were more than 69.53 lakh savings-linked Self Help Group (SHG) and more than 48.51 lakh credit-linked SHG covering 9.7 crore poor households under the microfinance programme. The programme has exhibited significance growth in terms of coverage and outreach of credit to rural poor.

Although the microfinance sector is having a healthy growth rate, there have been a number of concerns related to the sector, like grey areas in regulation, transparent pricing, low financial literacy, cluster formation, insufficient funds, multiple lending and over-indebtedness which are arising because of the increasing competition among the MFIs. On a national level there has been a spate of actions taken to strengthen the regulation of MF sector including, enactment of microfinance regulation bill. There is extreme concentration in the Indian microfinance industry—approximately one-third of all outstanding microloans and borrowers are from the state of Andhra Pradesh, despite the recent growth of the industry, around 90% of the Indian population remains without access to financial services.

### **Salient Features of Microfinance**

- Borrowers are from the low income group.
- Loans are of small amount—micro loans.
- Short duration loans.
- Loans are offered without collaterals.
- High frequency of repayment.
- Loans are generally taken for income generation purpose.

### **GROWTH OF MICROFINANCE**

The growth of microfinance is viable SHG-BLP has led to social and economic empowerment of the rural poor, such as: Ninety two per cent of the SHG members came out of the four walls of the their houses and 76 per cent of the them were able to interact with officials/ give speeches and 28 per cent of the members were able to save in banks; the result were seen in decision making in household matter, sending children to school, changing undesirable habits of their spouse, participating in Gram Panchayat election, access to bank credit after joining SHG (98%) as compared to mere two per cent before joining, increase in income by undertaking income-generating activities, etc. Self help Groups (SHGs) is at the centre of the micro finance revolution, SHG as an innovative system that can effectively deliver affordable financial services to households with low net worth.

<b>Growth in Indian Microfinance Sector</b>						
Year Ending March 31st	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Outstanding Portfolio (\$ million)	\$80	\$252	\$496	\$824	\$1,535	\$2,346
<i>Growth Rate</i>		215.00%	96.80%	66.10%	86.30%	52.80%
Borrowers (million)	1	2.3	4.9	7.9	14.2	22.6
<i>Growth Rate</i>		130.00%	113.00%	61.20%	79.80%	59.20%

Source: Microfinance India State of the Sector Report 2009

**TABLE 1: PROGRESS OF MICRO-FINANCE PROGRAMMES (AS AT END-MARCH) 2010-11 (CRORE)**

Sl.	Particulars	Self Help Group				Microfinance Institutions (MFIs)			
		2009		2010		2009*		2010*	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
1.	Loans disbursed during theyear	1609586 (264653)	12253.51 (2015.22)	1586822 (267403)	14453.30 (219800)	581	3732.33	779 (88)	10728.49 (2665.75)
2.	Loans outstanding	4224338 (976887)	22679.84 (5861.73)	4851356 (1245394)	28038.28 (6251.08)	1915	5009.09	1659 (146)	13955.74 (3808.20)
3.	Savings Accounts	6121147 (1505581)	5545.62 (1563.39)	6953250 (1693910)	6198.71 (1292.62)	-	-	-	-

Source: Nabard Figures in parentheses indicate the share of SHG covered under SGSY

\*Actual Number of MFI provided with bank loans would be lower, as several MFI availed loans from more than one bank

#Figures in parentheses indicate the assistance of SIDBI to MFI

The Government of India and bankers targeting the poor and women self help groups (SHGs) to implement various dimensions of SHGs and microfinance with related implications. While the country is experiencing faster economic growth in its Gross Domestic Product (GDP), to bridge the gap between demand and supply of microfinance, according to Reserve Bank of India, over forty per cent of Indians do not even have a bank accounts. Banks have also leveraged the Self-Help Group (SHGs) channel to provide direct credit to group borrowers. Microfinance is extending financial services to unbanked sections of population. Microfinance, Self Help Group Linkage programme, to increase access to the poorer segments of the society has expanded branch network from around 8000 in 1969 to more than 89000 today, spread across the country. While India has made enormous strides towards financial inclusion, there is a long way to go; about 500000 villages are yet to be provided with banking services.

## **REVIEW OF LITERATURE**

The SHG strategy was considered as an important component of the Government's overall thrust to mitigate poverty. Ever since NABARD's 'SHG-

Bank Linkage' model became a core strategy for rural development, it was included as a strategy in the anti-poverty programmes that were specifically designed to generate self-employment and wage employment in rural areas. These were redesigned in the year 1999–2000, in order to enhance their efficacy and impact on the poor and to improve their sustainability. (Rath, *et al.*, 1985; Rao, *et al.*, 1990). The SHG members exercise thrift, mobilize savings and invest in micro enterprises. The reported recovery rate is around 96 per cent and is higher among women than men. Hence, micro finance through SHGs has evolved as an accepted institutional framework to provide financial services to the poor. (Madheswaran and Dharamadhikary, 2004). As the funds in micro finance keep circulating, women can take up economic activity gradually at their own pace and convenience, which increases their chances of achieving success in the enterprise for which they have taken finance.

### **Microfinance**

Translating Research into practice (January 8–9th 2010) (CMF) at Institute for Financial Research and Management (IFMR) The Indian microfinance sector has experienced exponential growth through the SHG Bank Linkage Programme and microfinance institutions. In spite of this laudable expansion, imbalances remain—millions of poor households remain outside the ambit of formal financial services while other demographics and regions are saturated. Additionally, major gaps remain in our understanding of how microfinance impacts the poor. How is household decision-making impacted by microfinance? How do we ensure that the poorest are included in the microfinance revolution? Dr. B.B. Mansuri (December-2010) Micro financing through self help groups—a case study of bank linkage programme of Nabard Poverty is omnipresent. Even after more than 50 years of planning and employing various poverty alleviation programmes, official estimates show that 26.1 per cent of total population lives below poverty line in India. Since, independence government has taken several initiatives to tackle, but all the initiatives failed to achieve the target due to faulty planning and improper implementation and lack of will. Formal banking sector also ignored the poor due to risk involved in lending to poor as they do not have collaterals and apprehension of non-bankability. Against this backdrop SHG bank linkage from NABARD is considered as best alternative to reach the poor. Jai Pal Singh and Pranay Bhargava (2010) Rajasthan Microfinance report 2010 revels Micro Finance sector and its growth are dependent on the local context of the state, its geo climatic conditions and livelihood systems of people. Micro Finance needs of poor are guided by the larger development

context and the opportunities emerging from economic growth. This tries to detail out the local context of Rajasthan, the status of economy, livelihood systems, poverty and livelihood opportunities in state.

### **STATEMENT OF THE PROBLEM**

In India bank loans linked with SHG-BLP is often faces problems of outreach, coverage, sustainability, mitigation, livelihood promotion etc. To overcome this problem, NABARD introduced micro credit system to cover unbanked poor people in India. Accordingly Banks offer micro credit by having linkages with self help groups. Thus the movement of self help group's bank linkage model especially formed by women gained momentum in our country.

### **Gaps in Financial System and Need for Microfinance**

According to the World Bank, India is home to almost one third of the world's poor (surviving on an equivalent of one dollar a day). About half of the Indian population still doesn't have a savings bank account and they are deprived of all banking services. Poor also need financial services to fulfill their needs like consumption, building of assets and protection against risk. Microfinance institutions serve as a supplement to banks offer micro credit in a convenient way.

### **OBJECTIVES OF THE STUDY**

The major objectives of the Study are as follows:

1. To access the impact of microfinance through SHG-BLP model.
2. To review the progress of microfinance self help group Bank linkage model.

### **CHANNELS OF MICRO FINANCE**

In India microfinance operates through two channels:

1. SHG-Bank Linkage Programme (SBLP)
2. Micro Finance Institutions (MFIs)

### **SHG-Bank Linkage Programme**

The SHG-bank Linkage Programme has its origins in a GTZ-sponsored project in Indonesia. Launched in 1992 in India, early results achieved by SHGs promoted by NGOs such as MYRADA, prompted NABARD to offer refinance to banks for collateral-free loans to groups, progressively up to four times the level of the group's savings deposits. Under the SHG model

the members, usually women in villages are encouraged to form groups of around 10–15. The members contribute their savings in the group periodically and from these savings small loans are provided to the members. In the later period these SHGs are provided with bank loans generally for income generation purpose. The group's members meet periodically when the new savings come in, recovery of past loans are made from the members and also new loans are disbursed. This model has been very much successful in the past and with time it is becoming more popular. The SHGs are self-sustaining and once the group becomes stable it starts working on its own with some support from NGOs, NABARD and SIDBI.

The programme encompasses three broad models of linkage:

1. *Model I: Bank-SHG-Members*-In this model the bank itself promotes and nurtures the self-help groups until they reach maturity. It accounted for 16% of cumulative bank loan provided till the end of March 2002.
2. *Model II: Bank-Facilitating Agency-SHG-Members*-Here groups are formed and supported by NGOs or government agencies. The dominant model, it accounted for 75% of cumulative loans of banks by March 2002.
3. *Model III: Bank-NGO-MFI-SHG-Members*-In this model NGOs act as both facilitators and MF intermediaries, and often federate SHGs into apex organizations to facilitate inter-group lending and larger access to funds. Cumulative bank loans through this channel were 9% of total by March 2002. Another model has been piloted recently by NABARD for facilitating the formation of SHGs for bank linkage in areas where there are no NGOs. This involves using the services of committed individual volunteers identified by bank branches.

### **Progress of SHG-Bank Linkage Model**

In 2010–11, 1.2 million new SHGs were creditlinked with banks, and bank loans of `14,547 crore (including repeat loan) was disbursed to these SHGs. Further, at end-March 2011, 7.46 million SHGs maintained savings accounts with banks. On an average, the amount of savings per SHG was `9,405 as compared to the amount of credit of `65,180 in 2010–11. The SHG movement has the potential to satisfy the financial service needs of India's unbanked people in a sustainable way.. In 2009–10, 1.59 million new SHGs were credit-linked with banks, and bank loan of `14,453 crore (including repeat loan) was disbursed to these SHGs. Further, at end-March 2010, 6.95 million SHGs maintained savings accounts with banks. On an average, the

amount of savings per SHG was `8,915 as compared to the amount of credit outstanding of `57,795 in 2009-10. While there was a continued increase in the amount of credit outstanding per SHG, there was a fluctuating trend in the amount of saving per SHG.

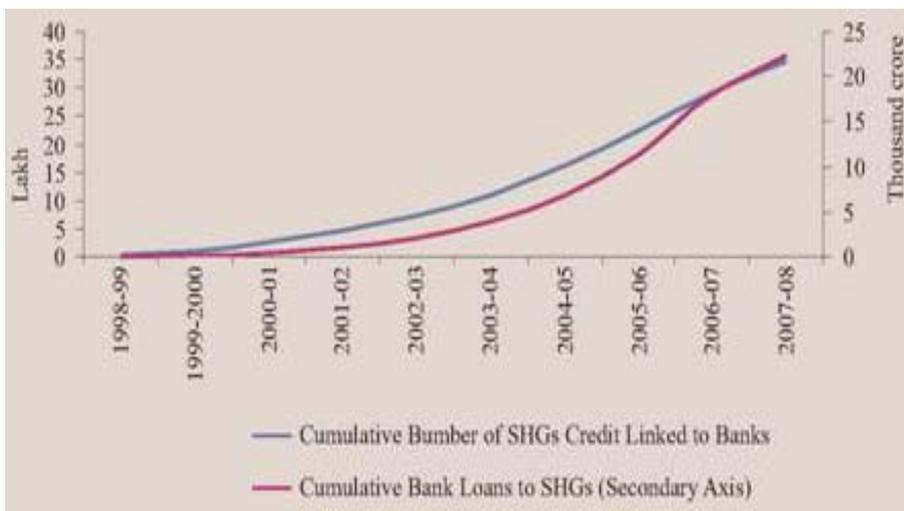


Chart 1: Growth of the SHG-Bank Linkage Programme

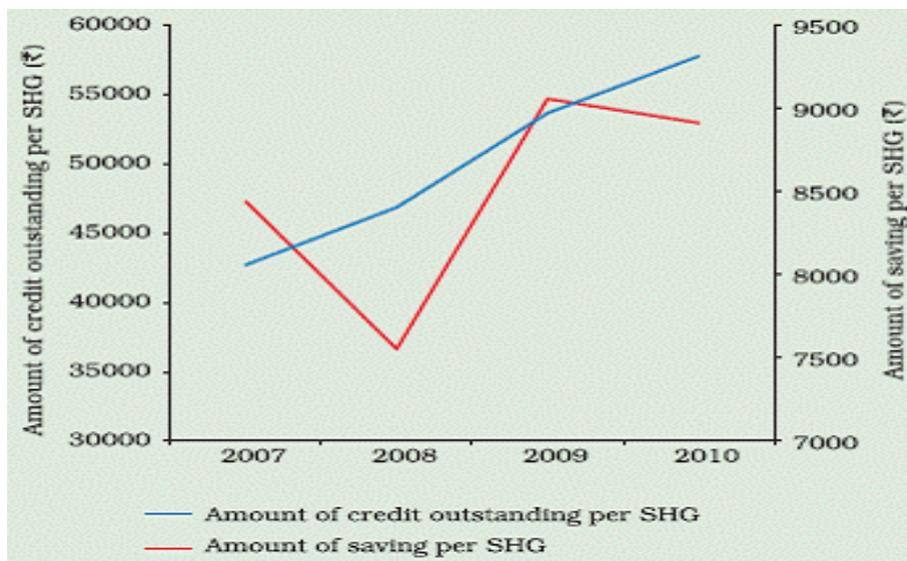


Chart 2: 30: Amount of Credit Outstanding and Saving Per SHG

The overall progress under these two models is depicted in Table-1:

**MICROFINANCE SELF-HELP GROUP BANK LINKAGE MODEL WITH GROWING SEEDS AND SAPLINGS**

**TABLE 2: OVERALL PROGRESS UNDER MICRO-FINANCE DURING THE LAST THREE YEARS**

(In Crore)

Particulars		2007-08		2008-09		2009-10		2010-11	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
A. SHG-Bank linkage Model									
Savings of SHGs with Bank as on 31 March	Total SHGs	5009794	3785.39	6121147 (22.2%)	5545.62 (46.5)	6953250 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	70.1630 (13.2%)
	Out of which SGSY	1203070	809.51	1505581 (25.1%)	1563.38 (93.1%)	1693910 (12.5%)	1292.62 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)
Bank Loans disbursed to SHGs during the year	Total SHGs	1227770	8849.26	1609586 (31.1%)	12253.51 (38.5%)	1586822 (-1.4%)	14453.30 (17.9%)	11.96 (-24.6%)	14547.73 (0.01)
	Out of which SGSY	246649	1857.74	264653 (7.3%)	2015.22 (8.5%)	267403 (1.0%)	2198.00 (9.1%)	2.41 (-9.9%)	2480.37 (12.8%)
Bank Loans outstanding with SHGs as on 31 March	Total SHGs	3625941	16999.9	4224338 (16.5%)	22679.84 (33.4%)	4851356 (14.8%)	28038.28 (23.6%)	47.87 (-1.3%)	31221.17 (11.4%)
	Out of which SGSY	916978	4816.87	976887 (6.5%)	5861.72 (21.7%)	1245394 (27.5%)	6251.08 (6.6%)	12.86 (3.4%)	7829.39 (25.2%)

### ***Savings Linked with SHGs***

Total number of savings with SHGs is linked stands 74.62 lakh with annual increase 7.3 per cent while saving bank account balance on 31<sup>st</sup> march 2011 of all these groups grew by 13.2 per cent at 7016.30 crores. Total membership of these groups represents 53 per cent of the total rural household of the country.

### ***Credit Linkage with Banks***

During 2010-11 the banks extended fresh loan to the extent Of Rs 14547.73 crore to 11.96 lakh SHGs. The loan extended to per SHG is extended to be 31 per cent or Rs 91000 in 2009-10 to over 121600 during 2010-11 an increase of 34 per cent.

### ***Loans Outstanding of Banks against SHGs***

The loan outstanding against SHGs on 31<sup>st</sup> March 2011 was Rs 31221.17 crore and increase of 11.4 per cent from previous year. Average loan outstanding with per SHG works out to be RS 65224. The average loan outstanding with against members at SHG level is estimated 86000 per SHG.

### ***Recovery Performance of Banks Loan to SHGs***

The non performing assets (NPAs) of banks against loans to SHGs has gone up from RS 823.04(2.90%) crore in 2009-10 to 1474 crore as on 31<sup>st</sup> March

2011 (4.72%). Increase in NPAs has reported across the agencies and across the regions.

Overall 53.4 per cent total household is members of SHG-BLP model. Rajasthan comes around 21–50 per cent with 10 states within the range of rural household coverage.

### **IMPACT AND OUTCOMES AND FUTURE STRATEGIES**

Self Help Groups (SHGs) are necessary to overcome exploitation, create confidence for the economic self-reliance of rural poor in the social structure. These groups enable them to come together for a common objective and gain strength. (Singh O. R. 2003). SHG is a small voluntary association from the same socio-economic background. Group members usually create a common fund by contributing their small savings on a regular basis. The loan amounts are small; the rates of interest vary from group to group and the purpose of loan. It is higher than that of banks but lower than that of moneylenders. At periodic meetings, besides collecting money, social and economic issues are also discussed. Defaults are rare due to group pressure and intimate knowledge of the end use of credit (Singh O. R. 2003). The economic impact of SHGs was relatively more pronounced on the social aspects than the economic aspects (Puhazendhi & Satyasai 2001). The SHG is really a boon in the rural areas which gives financial autonomy to the rural women and make them economically independent (Laxman 2001). The SHGs have become a platform for exchange of experiences and ideas (Tilekar *et al* 2001). The women have tremendous energies to start their own enterprises given the right opportunities. (Chiranjeevulu 2003). The micro financing to women through SHGs has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization (Manimekali and Rajeswari 2001). Hence micro financing through SHGs has significant changes in the living standards of SHG members have taken place in terms of increase in income levels, assets, savings, borrowing capacity and income generating activities. (Sharma 2001). It has been observed that the overall impact of micro-finance through SHGs is very effective in combating poverty, unemployment and empowerment of women.

Major benefits emanating from the SBLP are the positive impacts on income from linking SHGs to banks, broadening financial markets through provision of credit and other financial services to small scale entrepreneurs

and thereby on reduction of poverty, attainment of the Millennium Development Goals, favorable impact on household income, labor market activity, health and education and helpful role in ushering in women's empowerment.

SHG-BLP has made positive impacts of SHG on the socioeconomic conditions of SHG members, like an increase in the average value of assets per household and average value of borrowing since the inception of SHGBLP. As the SHG movement progressed and more and more SHGs were formed and linked to the banking system, second generation issues such as sustainability, financial aspects, community actions, issues of social harmony and social justice cropped up etc.

- It has enabled households to spend much more on education than non-client households. Families participating in the programme have reported better school attendance and lower dropout rates.
- It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect their lives.
- In certain areas, microfinance has reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health—especially among women and children.
- It has contributed to reduced dependency on informal moneylenders and other non-institutional lenders in rural areas.

In case of Rajasthan microfinance SHG-BLP impact and progress there is vast demand and potential of micro credit, annual credit through SHGs from banks in Rajasthan (about Rs. 200 crores) is very low. Credit outstanding by MFIs is estimated at Rs. 527 crores as of March, 2010 while credit outstanding through SHG bank linkage is estimated at Rs. 501.3 crores as of March, 2010. This indicates that out of Rs. 1028.3 crores total credit outstanding in microfinance sector as of March, 2010, almost 51.25% has been captured by MFIs. The number of SHGs credit linked every year is also about 10%. The repayment of SHGs to banks is more than 95% on time. It is also observed that the SHG members start losing interest in group meetings etc. if timely credit does not come to groups from banks.

SHGs have the potential and capacities to bridge the gap between Banks and Poor. Therefore, banks should increase their credit through SHGs. This can be done by orientation of branch staff, simplifying the procedure of

opening bank accounts and credit sanction to SHGs, not impounding of SHG savings (while giving them loan), timely processing of loan application of SHGs, adopting a common system of grading, by providing credit to priority groups etc.

### **FUTURE STRATEGIES THERE**

- a) Introducing the flexible products—repay weekly, daily small installments.
- b) Need for composite financial services.
- c) Simplification of procedures to open a bank account, access credit etc.
- d) Better staffing policies and doorstep banking.
- e) To take initiative and design the programme as per needs of the rural women.
- f) In SHGs the group should be formed among the members belonging to same area so that they can communicate with each other's easily.
- g) To conduct more and more programmes on awareness, imparting education and improving communication skills which will lead to raise their bargaining power in the urban market.
- h) Effective programme should be organized on optimum utilization of credit and subsidies, results in reducing mis-utilization of capital.
- i) Arranging more trades and fairs throughout the year or some permanent avenues for selling out the rural products can give a solution to them.

More active cooperation on the part of DRDAs, Blocks and Panchayats should come with active supervision, nurturing, removing weakness, meeting timely microcredit and group requirements, ensures efficient functioning of the Self Help Groups and Women empowerment as well.

### **Banking Sectors**

The future banking shall move around the rural or semi urban areas. Moreover, rural or agriculture banking is no more a loss making-business. The huge potential available in this segment shall be better ground for future banking. As more than 51% area us still untapped, this can prove to be a boom for the Indian banking industry. Micro finance is the key for all viz, non-viable rural branches, slow business growth, employment generation etc.

## **CONCERNS IN MFI SECTOR**

The SHG-Bank linkage programme has helped in enlarging the spread of the availability of financial services to the hitherto unbanked sections of the society for over 20 years now. It has been witnessing significant growth since its inception. SHG linkage has been put forth as a cost effective alternative to reduce transaction costs and reduce default risk through joint liability and peer pressure mechanism. Viability and sustainability of SHG lending by banks and found that the financial return ratios for regional rural banks are more favorable in case of SHG lending as the financial risks is less in formal financing.

## **RECOMMENDATIONS**

1. Innovative operational models with a high growth trajectory could be successful just the microfinance should be covered with regulators framework. An enabling regulatory environment that protects interest of stakeholders as well as promotes growth is needed.
2. For monitoring the conditions on ground and initiating corrective action if needed, however, the problem of feasibility and cost involved in physical monitoring of this vast sector remains an issue in this regard.
3. Encouraging MFIs for opening new branches in areas of low microfinance penetration by providing financial assistance will increase the outreach of the microfinance in the state and check multiple lending. This will also increase rural penetration of microfinance in the state.
4. MFIs should provide complete range of products including credit, savings, remittance, financial advice and also non-financial services like training and support. As MFIs are acting as a substitute to banks in areas where people don't have access to banks, providing a complete range of products will enable the poor to avail all services.
5. In case of MFIs interest charging there should be common practice for charging interest should be followed by all MFIs so that it makes the sector more competitive and the beneficiary gets the freedom to compare different financial products before buying.
6. MFIs should use new technologies and IT tools & applications to reduce their operating costs. Though most NBFCs are adopting such cost cutting measures, which is clearly evident from the low cost per unit money lent (9%–10%) of such institutions. Also initiatives like development of common MIS and other software for all MFIs can be taken to make the operation more transparent and efficient.

## CONCLUSION

After the pioneering efforts of the last ten years, the microfinance scene in India with some effort substantial progress and sustainability. This needs innovative and forward-looking policies, based on the ground realities of successful MFIs. This, combined with a commercial approach from the MFIs in making microfinance financially sustainable, will make this sector vibrant and help achieve its single minded mission of providing financial services to the poor. SBLP has also grown exponentially and is considered as the single largest microfinance programme globally but there are other challenges as well, (including savings services, social reporting, capacity building, tackling funding requirements and over-indebtedness, micro-credit plus and an enabling regulatory environment) that need to be addressed and would go a long way in making the Indian microfinance sector more inclusive, vibrant and sustainable.

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# An Empirical Study on Advertising Impact on Eating Habits of Children

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**Abstract**—Advertising is a favorable representation of product to make consumers, customers and general public aware of the product. Now a day advertising play an important role in everyone's' life as well as on lifestyle, and the degree of impact of advertng on children is becoming devastating day by day. Advertisements showcase the 'must haves' for a kid making them a consumer even before they have reached the age of 3. on the contrary, advertisement are educating, updating and motivating the children to learn good thing as well. Thus the objectives of this research paper is to explore impact of advertising on children's food habits, Using 'On the Spot' sampling method 100 children between 5-15 yrs age group and 50 parents are interviewed with the help of interview schedule and data collected is presented in the form of pie chart & this paper also explain Protecting Children from Marketing of Unhealthy Foods. The research paper concludes that advertising severely affect the eating habits of present generation children.

**Keywords:** Advertisements, purchase grants & children's preference, impact of advertisements on children's eating habits, protecting from unhealthy food Marketing, Suggestions.

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## **INTRODUCTION**

There is no doubt that television has been a useful product of technological progress. However, from the point of its psychological impact on human beings, both positive and negative effects have been observed. Most of the research studies have been carried out on children because they are seen as being more vulnerable to impact of television than adults. Children spend huge amounts of time watching programmes on televisions; this reduces their habit of reading and writing and also their outdoor activities such as playing. Television watching may have an effect on children's ability to concentrate on one target, their creativity and ability to understand and also their social interactions. Watching violence on television was, indeed linked to greater aggressiveness in the viewers. If the viewers were children, they tended to imitate what they saw; they were not mature enough to think of the consequences of such behavior.

## **REVIEW OF LITERATURE**

Accounting for 43% of total ad spending, newspapers are the largest advertising channel in India, followed by television, at 35% of the total, with

the other media channels far behind. Online advertising currently accounts for only 3% of total spending. Internet, another important source of enriching knowledge for children which also became a medium for marketing their product as this is the major time spent area after media. The concept of online marketing was introduced and products are sponsored on frequently visited sites and some odd ways like Pop Ups. This leads the buyer (children in this case) to a new world of market and sometimes even to pornographic material at the adolescent age.

Now the child is attracted to the product advertised which are designed strategically and thus become the new segment for the marketing company. Although internet marketing is still evolving in India, it is better we wake up to this future problem and take some steps in that direction. Since we are more diverted towards looking at the negative impact, let us not forget the positive ones created on the minds of children. Social advertising is a very good example of positive advertising. The objective of social advertising is to change public attitude and behavior and stimulate positive change. The polio ad campaign coincided with the immunization of additional six million children at the polio booths across the state. According to the New Encyclopedia Britannica, 'Advertising is a form of communication intended to promote the sale of a product or service to influence the public opinion to gain political support or to advance a particular cause'. This survey focuses on the children in the age group of 5-15 years which is now forming the new segment for the marketing companies. Advertisement is the major source of marketing the product. So Companies spend huge amount of money to promote their product in the competitive environment. A research study in UP commissioned by UNICEF found that more than 94 per cent of respondents reported that they came to the polio booth after seeing the spots on television which was endorsed by celebrities like Amitabh Bachhan, Shahrukh Khan, Sachin Tendulkar and Jaya Bachhan. Around 112 cases has been reported in the year 2003 compared to 1600 cases in the year 2002. A Unicef-supported television and radio campaign won a silver medal at this year's EFFIE Awards given by the advertising industry. Similarly advertisements of iodized salt generate the awareness among people to buy it, which avoids the prevalence of Goiter. Advertising also helps the children's health in a positive way-be it a kid of 3 yrs or a little grown up of 12 yrs. Advertising provokes children to stay clean which are advertised by soap companies like Dettol, Lifebuoy etc. Brushing twice a day was a marketing strategy for more usage of product but such advertisement always helps the children to keep their teeth clean, healthy and germ-free. Even the use of some cartoons or sometimes small ideas like 'Pepsodent Germicheck-

Dhishum Dhishum' encourages the child to use the product to realize the benefits shown in the advertisements. Companies such as Amul and Nestle are advertising milk products to the young generation as something cool and refreshing, e.g. Amul Kool.

Now we can throw some light on advertisements having negative impact on the children's health. Most aired advertisements are of the celebrity famed Soft Drinks which contain pesticides almost 27 times higher in India than the EU norms according to the findings of Delhi based NGO, Centre for Science & Environment. Intake of such products is found normal with the growing children who nowadays take it as a part of regular diet or a good partying option that is readily available to them. But after the reports by CSE about the findings of pesticides, the amount of pesticide contained has reduced but not up to the desired level till now. Burgers and pizzas and the mouth watering fast foods pave its entries in the most number of Advertisements, which are shown mainly during the children's program. These products are mainly advertised as the complete diet food which claims to include all the required nutrients by a human body. All these junk food items are easily accessible to the school going kids having working parents who don't have time to cook. Fast food chains often target their advertising at children and teenagers or the young who more or less have the required purchasing power and who most of the times influence the purchasing behavior of parents and who can become the target market for their products for long. For example McDonald's happy meal which always has a toy attached with it and a newly released children's movie. Children are very fond of clowns and cartoon characters which form the advertising mascot for the target audience. The early onset of diabetes is mainly due to the changing food habits. A couple of years ago, people in the age group of 20-35 years used to suffer from diabetes. But now, children aged anywhere between three months and 17 years are also developing diabetes, which is a cause for great concern. Fast food habits may lead to obesity among children. Obesity per se is not a serious health problem, but it is a prime precursor of many non-communicable diseases (NCDs) like diabetes, hypertension, cardiovascular diseases (CVDs), gall bladder ailments, cancer, psycho-social problems, breathlessness, sleep disorders, asthma, arthritis, weak bones and reproductive hormone abnormalities. Iron deficiency can result into anemia. Research has proved that children decide on what kind of clothes they want to wear and such demands of the child are often fulfilled by the pocket-full parents who don't have a say in such decisions. And all the child's buying decisions are influenced by the advertisement shown all over media, billboards and magazines. But also cause a threat to the

parents who have budget constrain to satisfy their children's need causing emotional distress among them. If you ask a kid, who would you like to look like? And the obvious answer would be I want to be a Barbie doll, an every girl's fantasy. But the stick thin Barbie doll image helps the kids grow in a way that they think will make them like their role models and even makes them health conscious. All the girls want to have a Barbie doll image and by doing that they hamper their physical health. Sometimes the efforts to emulate their heroes land these children in serious trouble that may be dangerous to their lives.

### **Protecting Children from Marketing of Unhealthy Foods**

The WHO Technical Meeting on the Marketing of Food and Non-Alcoholic Beverages to Children (Oslo, 2006) concluded that a strong scientific rationale is available through robust science and research that links commercial promotion of foods and beverages to poor diets in children. Most of the food and drinks, marketed to children are energy-dense and nutrient poor and high in fat, sugar and salt. These foods are typically from the top shelf of the Food Pyramid. The promotion to children of food and drink, high in fat, sugar and salt, has an effect on children, particularly their food preferences, purchase behavior (including 'pester power') and consumption. It increases both brand and category consumption-for example, a fast food advertisement will influence not just the purchase of that brand versus another brand but increase the purchase of fast food overall. A variety of creative marketing strategies are used to promote foods to children. These include linking food products with both children's heroes and cartoon characters from films and books and linking food products with children's toys. Most of the money spent on food marketing is on television advertisements. Television advertising of food and beverages high in fat, sugar and salt to children is associated with obesity in children and youth. In Ireland 84% of all food advertisements targeted at children were for foods high in fat, sugar and salt or a combination of one or more of these. Schools represent a growing marketing channel for food advertisers. Strategies include sponsoring events, linking food product purchasing to the provision of educational or sporting equipment-often involving token collection schemes-and selling unhealthy food and drink products in tuck shops and vending machines. In Ireland at post primary level, 45% of schools have drinks vending machines. Sales of foods within the school are the most prevalent form of marketing with 74% schools providing confectionery; 57% salty snacks and crisps and 52% fizzy drinks. The Internet is also a growing medium for food advertisers. Advertisers have discovered that the addictive quality of web-surfing is of advantage to them. Food companies are making

extensive use of the Internet as a means to target children. Creative new forms of marketing such as customized brand experiences have blurred the line between advertising and entertainment, a phenomenon described as advergaming. Some websites even recruit children as marketers, whereby they themselves are promoting branded messages to their friends. Regulation of marketing to children mainly relates to television advertising and since January 2005 Ireland has a statutory code on broadcast advertising to children. Advertisements are not just during children's viewing hours but also occur during family viewing hours. Nine in ten Irish parents agree that food advertising influences their children's food choices and four in five parents would agree to a ban of unhealthy food advertising up to 21:00 hours. An EU-wide consultation with stakeholders in 20 countries, including Ireland, established that 'controls on food and drink advertising to children' was one of the top 10 policy options to combat obesity and should be implemented as a priority. The Children's Advertising Code should restrict advertising of energy-dense, nutrient-poor foods high in fat, sugar and salt, as defined by nutrient profiling between the hours of 06:00 and 21:00 to provide adequate protection to children. Outside of these hours, in determining media broadcast advertisements for foods high in fat, sugar and salt that may be viewed by children, the absolute number of children and the number of children as a proportion of the overall audience should be taken into account. It is hoped that the BCI's evaluation of the Children's Advertising Code 2008 will provide an opportunity to address the limitations of the Code identified above. The Children Advertising Code covers only one source of advertising-terrestrial broadcasting-and a comprehensive set of protective measures is needed across all media. The National Heart Alliance calls on the Government to introduce additional measures to protect children from all other forms of food marketing, including through schools and the Internet as well as other media-even though these are currently minor outlets compared to television. Stronger and more consistent counterbalancing is needed in the advertising of healthy foods directed at children. The Government and relevant statutory bodies need to support the promotion of a healthy diet across the entire population.

## **RESEARCH DESIGN**

Objective and Scope of the paper:

1. To find out the impact of advertisements on children in Sangli city.
2. Explore the impact of advertisements on children's eating habits in Sangli city.

3. To find out reasons behind the purchase grant of children's demands.
4. Evaluate the opinion of parents for regulating the TV Ads.
5. To find out the type of TV programs preferred by children.
6. To identify the reasons behind food preferences.

The data collection was done using on the spot sampling in the form of personal interview. I used various secondary sources for gathering data related to the research report. Analysis of data has been done using quantitative methods such as Arithmetic mean. Then analyzed facts and findings are presented in different forms for ease of understanding by use of pie charts.

## **DATA COLLECTION**

### **Primary Data**

Primary data is collected from the respondents with the help of interview schedule. It was mainly directed towards investigation of the various impacts the advertising has on the children's' minds and how advertisement decides their buying and eating habit.

### ***Place of the Study***

The survey had to be done at the point of purchase in Sangli city. So it was carried out in food malls where the brands are sold & places like Domino's Pizza & places like schools where we could actually meet the parents.

### **SAMPLING TECHNIQUE**

Non Probability Sampling Technique was used & in that on the spot sampling was done. The responses were collected from 100 Children and 50 parents, who were interviewed with the interview schedule at different places of purchase. Hence a on the spot sampling technique was decided, which would enable using personal judgment to conveniently approach the parents and children and save time also.

### **SECONDARY DATA**

The secondary data is collected form prevision research reports on the related issues. Apart from the secondary data is also collected from internet for getting the data about the various statutory rules and regulations on advertising. The data is also collected from the websites of food chains like McDonalds, Pizza hut, Dominos etc.

## ANALYSIS OF FINDINGS

1. Parents when asked about the impact of advertisements on 'Eating habits' of children, 78% parents responded that the impact is negative and only 22% responded that the impact is positive. This is mainly due to those advertisements, which motivate the children to consume healthy food like milk, Egg, and health drinks.

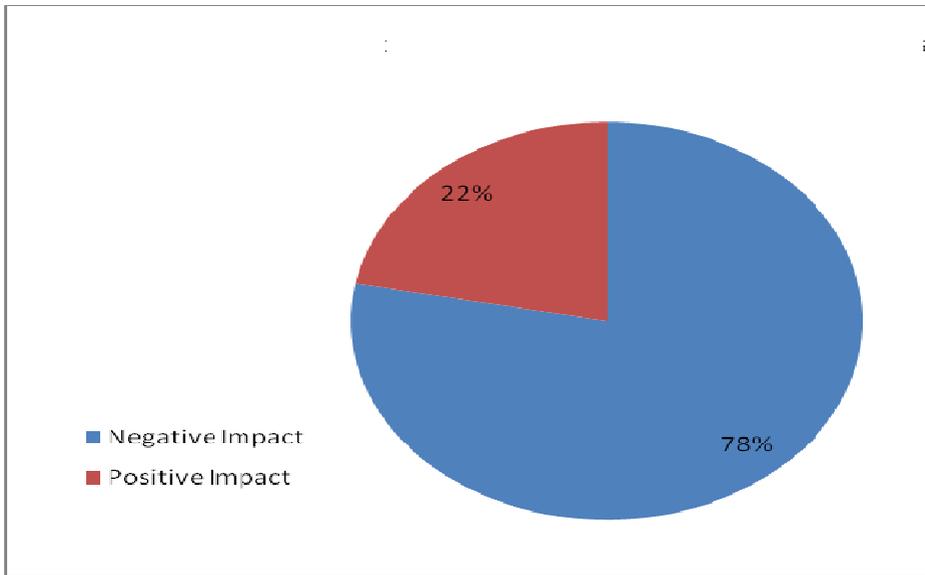
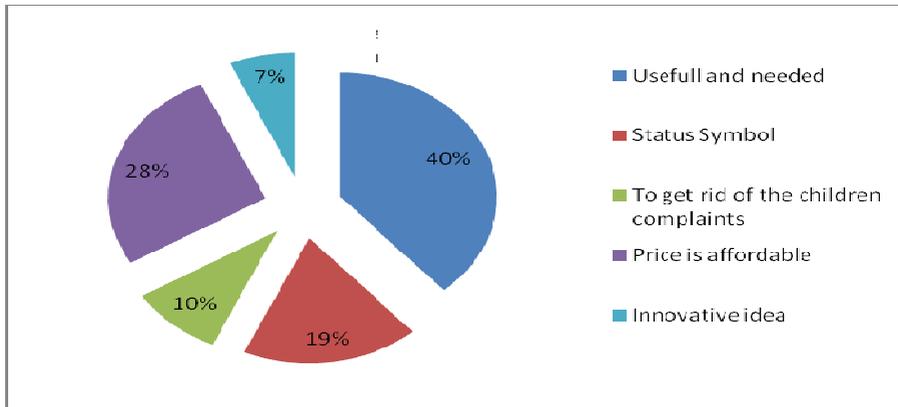


Chart I

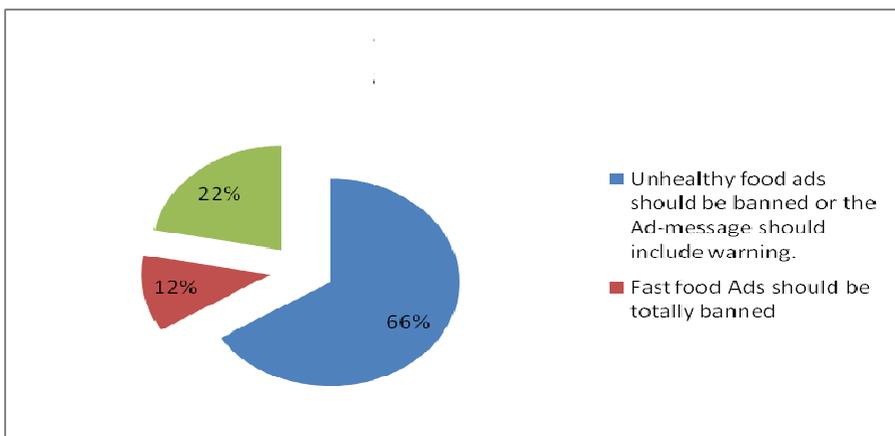
Chart showing the opinion of parents regarding the impact of advertisements on children's eating habits Positive impact & Negative impact.

2. 65% parents responded that their children aggressively demand some food item and dominate the purchase decision due to its advertisement on TV.
3. Parents when asked about the circumstances in which they grant the purchase demands of children initiated from advertisements, 40% responded that they allow the purchase because the product is useful and needed, 28% allow as the product is affordable, 19% allow as there is some innovative content, 7% parents allow because owning product is status symbol and 10% parents allowed the purchase for no specific reason, but just to get rid of the demand of the children and irritation causing out of it.



**Chart II: Chart Showing the Reasons Behind the Purchase Grant of Children's Demands**

4. 92 % of the parents surveyed feel that there is need for regulation as far as food related Advertisements are concerned. Of these about 66% say that, either the advertisements of unhealthy food products should be banned or the Ad-Message should be regulated by including the warning against excess consumption. 12% parents say that all the food Ads targeting children should be totally banned and about 22% say that the use of children in food advertisements should be banned, as when children themselves advocate such products, it becomes difficult for the parents to convince their kids for not eating. Chart-III Chart showing the opinion of parents for regulating the TV Ads:
5. Around 81% of children watch TV while eating which may affect their food intake.



**Chart IV: Chart Showing Percentages of Children who See Television while Eating**

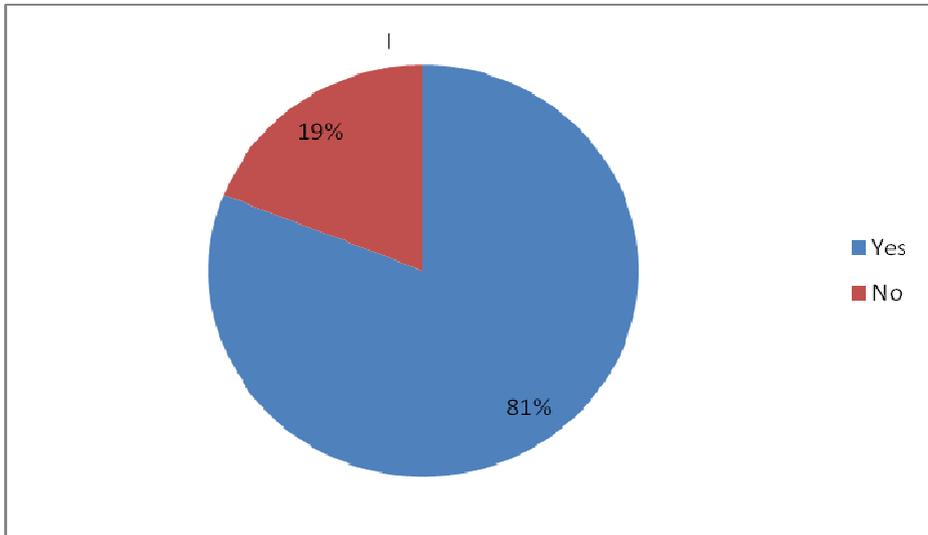


Chart V: Chart Showing the Type of TV Programs Seen by Children

6. Children when asked about the type of program they generally watch on television Around 74% of the children watch cartoon channels, 6% watch movies, 17% watch serials and especially children reality shows, and only 3% see advertisements. The ads which are shown on cartoon Channel are invariably seen by the children and thus impact children psychology.

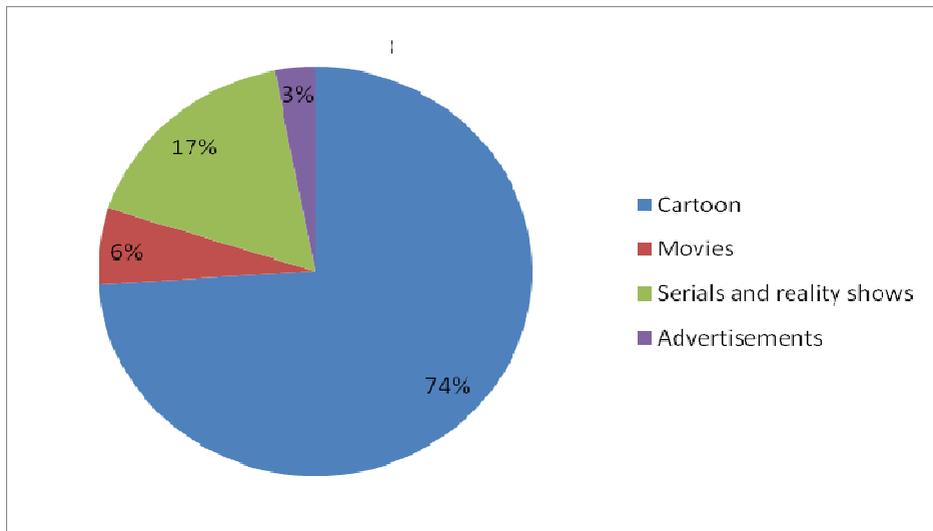


Chart VI: Chart Showing Reasons Behind Food Preferences

7. When investigated what really influence children to decide their eating or drinking preferences, it is found that 34% children prefer to consume any eatable, as they have seen its advertisement. 39% children prefer to eat or drink any food item, just because their friends has suggested or commented about it, most of them were again in the category who consumed that food item after seeing the advertisement. 19% children consume any food item as it is needed and parents compel to eat, and 8% children are in that category who repetitively consume some particular food product or beverage as they like its taste very much. The products like some branded chips and snacks, Maggi, flavored biscuits, fruity etc are in this category of food items.

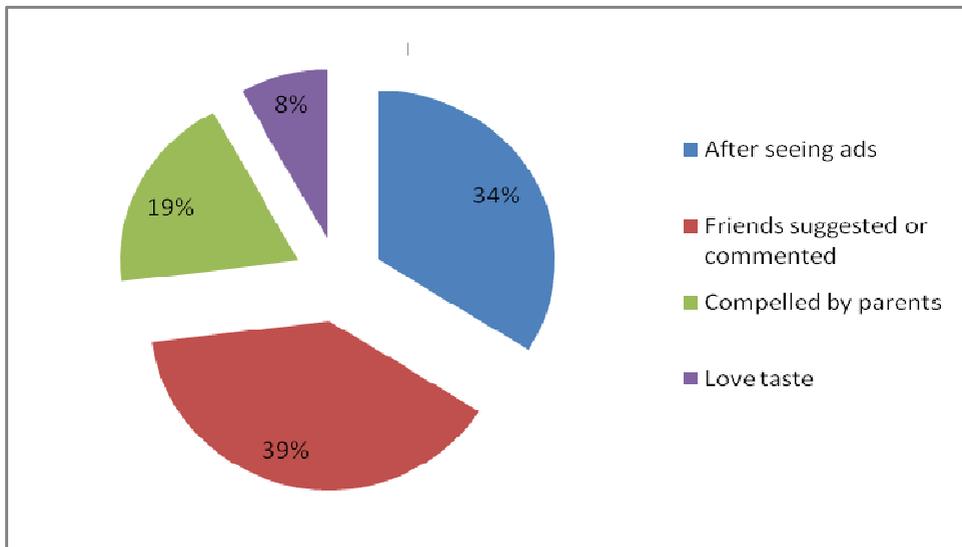


Chart 7: Chart Showing Reasons Behind Food Preferences

Suggestion/Recommendation to regulate the impact of ads on children eating habits:

1. **Parents Involvement:** Parents need to review and supervise their children's television viewing time. Parents should continuously assess their children's eating habit and its impact on their health. If child is found getting into wrong eating habit especially due to ads, it is the prime responsibility of the parents to explain them the damage out of it. Apart from these, parents should educate their children about the advantages of eating healthy food and disadvantages of unhealthy food.

2. **The school Environment:** school teachers can also play the significant role for guiding the children. The school environment needs to be guided by a healthy food policy which ensures comprehensive education for pupils, teachers and parents on healthy food choices.
3. **Government Initiative:** the advertisements of unhealthy food products should be banned or the Ad-Message should be regulated by including the warning against excess consumption.

## CONCLUSION

From the analysis of these data it is concluded that advertising severely affect the eating habits of present generation children. Advertising is one of the many marketing tools that are used to attract attention of prospective customers to a business or its products or services. The more effective advertising campaign, the more the customers it draws, and with greater frequency. The role of parents and legal system plays crucial role in preventing the anti-health ads influencing the children's eating habits. Though advertisement is integral part of the industry which wants its product to be reached to the customer, they should not forget that it is their social responsibility to take care of the future generation of the country which are been targeted tactfully to earn profits. Parents should make the kids more aware of the surrounding so that they start taking proper & logical decision. Also government's role is important here. It can do it by implementing proper food laws and harmonization of various laws into single unified law.

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[http://ec.europa.eu/avpolicy/docs/library/studies/finalised/studpdf/minadv\\_int.pdf](http://ec.europa.eu/avpolicy/docs/library/studies/finalised/studpdf/minadv_int.pdf);  
<http://mib.nic.in>; <http://www.my3q.com>; <http://mofpi.nic.in>; <http://www.cseindia.org>.

# Human Resource Productivity and Organisational Excellence

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**Abstract**—With the onset of globalisation, where economics and markets play a dominant role in organisational sustainability, no individual organisation can guarantee success based on its own efforts alone. Over the years, the role of those, running an organisation, has undergone a major change—from dependence to independence and now interdependence. The era of interdependence—where teamwork and group dynamics can make or break the business—becomes a necessity and the accepted way of doing things. But with the entry of educated rational managers, freedom of thought and expression; the managers are encouraged to think independently bringing about a higher degree of initiative and quicker decision-making. Although there are flashes of brilliance from star performers, the organisation's collective performance is often disappointing and less spectacular.

Participation is vital in the viability and survival of an organisation. Motivated and empowered employees are crucial in achieving and meeting organisational goal. Quality products or services are attained when people in an organisation work in tandem aligning their personal goals to the organisational goals and are ready to take the extra step towards achieving excellence. When employees put their hands, heads—and most importantly their hearts in their respective jobs, they produce even astounding results in quality and quantity, productivity and profitability. Every member of an organisation is a store-house of ideas, an uncut diamond and an untapped reservoir of talent that, when properly harnessed, can bring enormous results.

Developing quality consciousness in the interest of the organisation among people is like planting trees. It takes a lot of patience but the fruits are very satisfying at the end. In this context, this paper is an endeavour to have a conceptual and theoretical framework to focus on all such possible areas of human resource productivity, being responsible towards achieving organisational excellence. Basically, in this paper, an attempt is theoretically made to visualise different parameters of employee participation in an organisational functioning and how it leads towards achieving organisational success.

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## INTRODUCTION

Human Resource (HR) has a major role to play in today's era of globalisation. It covers a wide range of supportive strengths like incentive pay (individual

and group) as well as many non-pay aspects of the employment relationship such as matching (hiring and firing) and work organisation (e.g. teams, autonomy). Gone are those days when HRM was placed within the literature on management practices and productivity. But now, the scenario has a different story altogether to say that every organisation has now realized the uniqueness of work-force capacity to largely ensure sustainability of an organisation in the long-run. The heterogeneous and irregular features of the organisations viz. size, aims, functions, complexity, construction, the physical nature of their products fairly speak their individual collaborative approach in shaping and strengthening the organisational culture to the best tune of its pre-set objectivity. Apart from all the available resources, attempt to creating and sustaining a well-focused and committed human resource is, of course, the biggest challenge for every organisation.

With the expansion of time, every organisation should be centered on giving keen interest in designing a dedicated work-force to its fullest extent and devising its infrastructure to bridge the possible gap so that tasting the cream of organisational success becomes a reality. Otherwise, any ill attempt for excellence would be a day dream and weak efforts supporting the same would be a night mare.

Rome was neither built in a day nor destroyed in a single shock. Expecting something before time and beyond to a level also experiences the same. Needless to say, organisational excellence is not a game of one day. Such a process legitimately requires a good sense of humour from both employer and employee. Efficiency and effectiveness of every action from any end normally outline the possible outcome, which ultimately decides the fate of the organisation. It is a fact that organisational excellence is a healthy state of organisational performance achieved through the successful integration of operational and strategic elements which enables an organisation to become one of the best in its field. The strategic and operational elements contributing to excellence include the organisation's approach to total quality management, core competency, benchmarking, customer service, the balanced scorecard approach, and leadership.

Before proceeding further, it is immensely important to draw a line of difference between employee participation and employee involvement as it is supposed to create confusions and confrontations in the present discussion. The differences between employee participation and employee involvement are twofold. Employee participation fosters a team approach and the project is completed by a group of co-employees sharing the common goal. Employee involvement approach, on the other hand, links the employee with a direct

connection to management in due course of discharging duties and responsibilities with accountabilities. When employees see themselves as valuable parts of a unified team fulfilling wider company objectives, their work attains new meaning and purpose. This allows employees to offer ideas regarding the job assignment until a logical and judicious decision is reached at. Combining both management styles can yield a work force that is more motivated and employees enjoy their jobs more as they feel part of the process.

### **EYE OF THE NEEDLE**

The paradigm of employee participation and involvement to foster the organisational growth is only a few decades old. Skeptics initially feared that such an approach would be doomed to devolve into chaos. However, when used effectively in true spirit, employee participation led to a greater workplace satisfaction, an increased profitability and a faster growth comparatively. This translates into a dynamic work environment in which everyone feels invested in the company's success.

Not all the literature agrees on the universal, positive effects of participation. Some suggests that participation may have no effect or even negative effects on performance. However, it is difficult to discern a definitive pattern. Lack of consistency in the outcomes of participatory measures suggests that schemes are not isolated from the effects of the external economic, political and social environment. Now-a-days, organisations have initiated steps in encouraging the setting of individual and inter-departmental goals over a predetermined time frame, with perks and rewards to those who succeed. Against this backdrop, this paper aims to focus the efficiency and credibility of employees towards the organisation to set a path of success to ensure excellence. The topic is quite interesting and important as well because in today's fast-paced business environment, when each employee understands their contributions and input are invaluable to the firm's success, they may work with greater enthusiasm and experience more pride in the organisation's growth and subsequent profits.

### **A COLLABORATIVE APPROACH**

Employees enter a workforce with the intent to work hard and do a good job. A motivated workforce will work in a way that provides the greatest value it can to the organisation. A less-motivated workforce can do damage to the organisation by not providing the quality of service required. Of late, interest in participative systems or even participative styles appears to have been renewed with the need for change in the post-globalisation scenario.

Workers' participation in management came to India through government intervention. To ensure high level of excellence, business objectives are brought to life. Aligning people with business objectives needs to be an ongoing commitment. A growing body of research looks not only at what people do but at the moral imperatives, values, and perspectives on human interrelatedness that underlie their moral judgments. The result-oriented performance culture system focuses on aligning performances with organisational goals. For this to happen, employees must have direct line of sight between performance expectations and recognition systems. These growing links must be communicated to and understood by employees, enabling them to focus their work effort on those activities important to mission accomplishment. All employees must be held responsible and accountable as well for achieving results that support organisation's strategic plan goals and objectives.

Continuance to the observational discussion on the 'efficiency turned to excellence' in context to work force and organisational excellence, a paradigm to align the efficient and well motivated work force with that of pre-set organisational objectives has to gain the momentum during this discussion. Logical issues pertaining to framing objectives need a minute attention as because of the changing features of the organisational set-up from time to time, as a part of necessity. But, more or less, the skeleton of the skeptic thinking remains static with obsessed and optimistic mind-set. In the light of race for excellence, the organisations are seen practising with following attributes.

### **Redesigning Mission and Vision Statement**

Every organisation needs to be flexible in approach to adopt a culture of redesigning its mission and vision statement, as and when demanded and/or desired to articulate this to their work-force purposefully. The new statement with a touch of sense and sensibility begs a wide support by the employees of the organisation to set it in the right track in easing the process of organisational excellence. Relying on the driving forces of the organisational success linkages, each and every one is expected to extend their meaningful and purposeful co-operation in making the establishment proud.

### **Touching Hearts of Customers and/ or Employees**

Irrespective of age, size, nature, position and preference of both employee and customer strength, all are equally put in same single bracket with due weightage without any discrimination but possible differential status on

their respective roles to play in the organisation. All employees have a critical element, which needs to be addressed for assessing individual performance and compared with a scale. Employees and/ or customers have greater sound expectations from the organisations to be motivated/ responsive and also, the reverse holds true. Such a complementary work culture would go a long way ahead in assuring the efficiency of employees and ensuring effectiveness of customer base in each and every result-oriented performance culture system.

### **Leadership Foresight**

Leaders are to lead always but to instigate their followers to be led. This is realized only when both have the equal mind-set to rely on others with highest degree of trust and confidence for the interest of the organisation. Getting a true leader in a group is, of course, a herculean task in its true sense but the can be made easy in selection and convenient in endorsement with a set of tools and techniques, as fairly felt suitable to the organisation. It is believed that a leader should always be ready to mentor and counsel the employees, as and when required. Above all, the leader should also encourage the work-force to come to forefront and make them involved in every aspect of organisation in achieving excellence.

### **Giving a Boost to Employee Commitment & Competence**

Participation in various decision-making or goal-setting provides employees with increased control over situations and over their own work activities, which in turn can lead to the employees' acceptance of and commitment to a course of action. In order to ensure productive workforce, organisations need to maximise two strong parameters, such as employee commitment and competency. Collectively both of them are significant and individually, each one is having its due weightage. But an employee involvement effort in today's terms necessitates a fundamental shift in attitude from viewing employees as workers who need to be prodded towards viewing them, instead, as people with valued skills who want to do excellent work and to contribute to the well-being of their companies. A race to reach at excellence is a competitive advantage phenomenon of needs and aspirations with a combination of proper understanding, equal importance, and high performance.

### **Performance Measurement**

Performance measurement is undoubtedly, a complex process. Employee performance must make an economic sense of acceptability. An employee

involvement effort done well is productive; and also creates a better and more humane work-place. Philosophising by itself is not effective; simply holding an orientation session with the top people in a company to announce an employee involvement effort for hourly wage earners does not work. The importance of employee performance is measured by how seriously it is integrated into the ongoing structure of the company, including the top echelons. It is a two-way process that both employers and employees should extend their keen interest in and support to participate and measure, by which the outcome can be implemented for the betterment of employees and organisational excellence.

### **Change Management & Implementation**

These human factors, when managed well, lead to greater productivity and foster collaboration and a spirit of cooperation among all levels of the organisation. In order for this to happen, top managers need not only to arrange for training, but also to make it very clear that they are rewarding their middle managers and their first-line supervisors primarily for their ability to use the resources of the people they supervise. Change Management is a group effort and achievement. Needless to say, every organisation necessarily designs its process, so that there will be less resistance to change and more acceptances to it. The change might be the technological advancement, framing of new policy, restructuring.

The attempted applications are based essentially on the issue of special attention. It is hoped that if workers are treated with special care, they accordingly perform at higher levels and become more productive. The vision of the future state of the organisations provides both the direction in which the organisation should move and the energy to begin that move. Strategic planning is, however, more than just an envisioning process. It requires the setting-up of clear goals and objectives and the attainment of those goals and objectives within specified periods of time in order to reach the planned future state.

### **PATH OF SUCCESS**

The goals and objectives developed within the strategic planning process should provide the organisation with its core priorities and a set of guidelines for virtually all day-to-day managerial decisions. An individual for whom excitement is an important personal value will visualise a different organisational future than will a person who holds security as a high personal value. Likewise, the goals and dreams of an individual who holds professional reputation as a value and is less interested in power will be

different from those of a person with the opposite priorities. These differences have clear implications for the organisation's future, design, decision-making processes, and all other work of the management. If the differences are not identified, clarified, and resolved early in the planning process, there may be little or no agreement about how the organisation's future meets the personal expectations of the individual members of the management group. Once there is clarity and consensus on values, the strategic planning process can move ahead. Indeed, strategic planning is, in some respects, a value-clarification exercise, and the actual strategic plan for an organisation represents the operational implementation of the consensual values of the management team.

Before we suggest how to gain commitment from employees, we should identify the roadblocks which normally hamper employees' commitment. The major factors which retard employees' commitment can broadly be categorised as poor reward & recognition, dead-end jobs, managing by intimidation, negative working environment, lack of job security, and negative attitude. Based on several studies conducted by different research, following aspects are highlighted at a bird's view.

### **Strategic Participation**

Participation of employees at the board level, known as, industrial democracy, paves a new way for employees to be a part organisational system. It not only simply encompasses in achieving organisational objectives but protects employee's job by creating a sense of security also. It largely increases the level of productivity and substantive change in the level of work. It is so because of a logical thought that no amount of computerisation, automation, standardisation or re-organisation effort can get any result if people are not committed to make it succeed. So, Employees' commitment plays such pivotal role in the success or failure of an organisation

### **Participation through Job-enrichment**

It focuses on expanding the job content not only by adding more responsibilities but also adding substantial rewards and benefits. Employees' perception of the reward and recognition can also affect their commitment. It creates a sense of belongingness and irresponsibleness among employees towards job accomplishments and organisational objectives. The system, accordingly, should include both material as well as psychological rewards. Reward begets commitment and is the bottom-line for any employee to work with an identical recognition.

### **Improving Quality of Work-Life**

Work-life balance is an important issue in every body's life. The place, surrounding where you work is an important attribute for employees as well as organisation. Therefore, one major factor which employees would highly appreciate is the existence of a congenial working environment, where they are happy to work with others. Teamwork, cooperation, friendship with colleagues and bosses, and mutual respect are some of the signs of a good working environment which attract employees and retain them to stay longer with a company. It definitely acts as a motivator to improve the work-style among employees and how they perform their day-to-day functioning, for an achieving organisation's overall objective.

### **Encouraging Suggestion Programmes**

A good vision should be challenging, meaning something worth the extra effort and sacrifice. Employees are also required to describe how they would commit themselves towards the achievement of these visions. So, encouraging the employees to come up with new and unique ideas crates a path for organisational success. Ideas in context to safety measures, cost-cutting, designing training programs, designing proper compensation programmes generally creates a platform for achieving organisational excellence and also creates a competitive edge over others.

### **Involvement in Total Quality Management (TQM)**

Human resource management is the distinct approach to employment management which always seeks to achieve competitive advantage through the strategic development of a highly committed and capable work force, using an integrated array of cultural, personal and structural techniques. Attraction and retention of the best employees within the organisation, increasing job satisfaction, getting higher level of performance from the employees are the most challenging tasks on HRM front. But to achieve all these things to happen and to reach at organisational goal, an organisation should have a provision of TQM practice to ensure intensity of employees' psychological identification with the job.

All organisations have philosophies of their operations, whether or not these are stated explicitly, and all organisations disseminate their philosophies and judge members on conformance to this. If an organisation's philosophy of operations is implicit, it is necessary to make it explicit as part of the strategic planning process, which must fit the philosophy or the philosophy must be modified. An organisation's philosophy of operations

includes a series of assumptions about the way things work and the way in which decisions are made. Some general assumptions are that the organisation's growth is assured by an expanding and more affluent population or that there never will be a satisfactory substitute for the organisation's major product or service.

### **Dust under the Carpet**

One of the problems of participation is the lack of concrete and substantial evidence on the link between participation and production. Productivity depends on many factors other than worker motivation. In some cases, customer services have been known to improve with participation. But such improvements have also been achieved with other types of intervention, such as more facilitating organisations or better working conditions. We must achieve our objectives and design proper strategies and structure for achieving organisational excellence and thus align the work-force of an organisation to its fullest extent. The situation is more one of evolutionary change than revolutionary change.

Needless to say, every process has two sides, certain pros and cons. Every positive side has some negative effect. Accordingly, many factors significantly contribute to the journey of excellence of companies.

### **Organisational Identity**

It is normally a generalised phenomenon to experience the differential status of the organisations with respect to their age, size and structure. Organisational set-up and/ or existence, with such unequal features, firmly require a systematic, structured and scientific approach to their overall operational productivity. But the reality is far away from such theoretical expectations. In practice, all these are felt to be subjective affairs and are highly influenced by the quality of work force and commitment to organisational goal. Due to the emerging operational gaps, most of the organisations fail to see the light of the day.

### **Authoritarian Leadership & Idea Mismatch**

Organisational success is attributed to team work and group cohesiveness. An environment to cope-up with each and every member makes it ease to the journey of success. As stated earlier, existence of a congenial working environment by learning may lead to growth. This is lacking in some organisational set-ups, which are either at the threshold of failure or already tasted the defeat. Therefore, the authority must intellectually understand and admit with the ideas and must allow employees to experiment with

activities. This opportunity may handsomely reward the risk. On the other hand, it is also a fact that each and every individual is a separate entity in itself; everybody has their own views and suggestions for individual and organisational development, these disparities among employees sometimes act as obstacles for organisations, for implementing employee participation and achieving excellence.

### **Unrealistic Expectations and Promises**

Ironically many strategic plans have failed because they haven't accounted for the human factor, either making unrealistic plans/ promises or failing to change the organisation so that the strategic plans can very well be implemented. An effective human resource function is capable to contribute to both the planning and implementation process.

### **KEY TO EXCELLENCE**

The challenges for human resource managers have never been greater as like today. A new era of human resource management is now on the scenario. Revolutionary change in the human resource management function is called for now-a-days. We need to review the challenges before we can look at how it needs to change and the way it needs to be designed. Since many of these change efforts are moving in the direction of new management style and approaches that try to involve the more in the organisations, the study of human resource is faced with a major change agenda itself. It needs first and foremost to change many of its systems to respond to the new management concept. In addition, the opportunity exists for the organisation on how it can change the way it does its operation. This is particularly true with respect to organisation design, management style, work structures, and change programmes.

### **CONCLUSION**

Excellence is an excellent word and excellent companies always strive for achieving it. Without commitment, no company can think of achieving excellence. Commitment is an attitude and a key ingredient for improving quality and productivity, reducing defects, increasing profitability and decreasing costs. Providing every opportunity for assuming greater responsibility, promotion, value-added job, meaningful and worthwhile job, and learning culture certainly enable employees to grow and develop to a larger extent. Therefore, committed employees are expected to understand, share and support the company's vision and goals and consistently try towards achieving them. Participation of employees in an organisation has always been a debatable topic. To what extent employees will be encouraged and allowed, is still an issue of research.

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# Human Resource Outsourcing: An Emerging Trend in Corporate Sector

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**Abstract**—Human resource outsourcing is an emerging trend in today's corporate sector. Outsourcing of HR is growing all over the world, driven by the philosophy that if you don't have the ability to offer a world-class service, then the best option is to partner with someone who has that ability. Successful outsourcing calls for a mix of client skills, business skills and technical skills, which are incidentally found to be more among the service providers than the outsourcing companies. The outsourcing firms should also have leaders who can garner support of employees throughout the organisation for the outsourcing initiative. They must display strategic thinking and deal-making capacity, besides the ability to anticipate resistance to change and to surmount it positively. In the coming years, HR outsourcing will become an important driver of long-term value for companies. The article discusses the evolution of human resources outsourcing specific in Indian scenario. This paper also highlights the major reasons, benefits and pitfalls of HR outsourcing.

**Keywords:** Client Skill, Emerging Trend, Outsourcing of HR, Strategic Thinking

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## **HR OUTSOURCING**

Any activity that an organisation finds uncomfortable or lacks internal expertise and requires an unbiased opinion on HR, can be given to an external agency to maintain. This activity of passing on HR activities to the external agency is known as HR outsourcing. One of the important reasons why various business organisations are motivated to outsource HR services is that either these organisations do not have the time or expertise to deal with the situation or they want to focus more on higher-end HR activities such as contributing to the firm's strategy.

## **OUTSOURCED HR FUNCTIONS**

Today, the most commonly outsourced HR functions are:

### **Recruitment**

Innovative strategies have to be put in operation to place the right person on the job. In view of the multi location functioning, organisations need to take cognizance of cultural differences, local interests, etc., more than ever before while evaluating, placing and inducting employees. This calls for multi

locational and multicultural expertise, and in that context, it makes great sense to outsource the function.

### **Training and Development**

Training must foster newer, interactive, and customised training packages. Training is no longer ‘employee-driven’, instead, it has become business-or customer-driven. Of course, as the demand for ‘genuinely multi-skilled’ employees increases for organisational growth, it makes sense to outsource the training function.

### **Industrial Relations**

As the businesses are marching towards downsizing, right-sizing and launching better productive measures, there is a need for close collaboration between the managements and the unions, if need be by constituting joint task forces to tackle issues as and when they emerge.

### **REASONS FOR OUTSOURCING**

- Cost effectiveness and reduced administrative costs.
- Need for technological advances/ expertise.
- Improved customer service.
- Redirecting HR focus towards strategy/ planning.
- Avoiding non-core activities, and focusing more on core activities.
- Provision of ‘flawless’ delivery of services.
- Unavailability of expertise to handle the activity in-house.

<b>Main Reasons for Outsourcing the HR Functions</b>	
Compliance with complex federal and state regulations	82%
To reduce and control operating costs	71%
To eliminate the cost of acquiring, updating and maintaining systems in-house	71%
To improve process efficiencies	70%
To eliminate difficult-to-manage functions	67%
To free internal resources for other purposes	65%
To gain access to world class capabilities and technologies	63%
Resources not available internally	59%
To improve company focus	55%
<i>Source: Barometer Survey by Price Water House Coopers, 2005</i>	

## **HR OUTSOURCING CATEGORIES**

HR outsourcing services are generally divided into four categories: PEOs, HR BPOs, HR ASPs, and e-services.

### **Professional Employer Organisations (PEO)**

The Professional Employer Organisation (PEO) assumes full responsibility of a company's HR administration. It is also known as employee leasing firm, which hires employees, and takes full legal responsibility for paying them, administering benefits, and notifying the firm of relevant workplace regulations.

### **Human Resource Business Process Outsourcing (HR BPO)**

Any HR BPO differentiates itself by either putting in the latest technology or applying existing technology in a new form to improve the process. Especially in HR, a BPO would make sure that an organisation's HR system is supported by the newer technologies, such as self-access and HR data warehousing.

### **Human Resource Application Service Provider (HR ASP)**

HR ASPs host software on the Web and rent it to different users. Some of the ASP providers offer packaged applications, while some others offer customised HR software, based on the need of the organisation. Some of them are well-known packaged applications like PeopleSoft, while others are customised HR software developed by the vendor after assessing the need of the clients. An organisation is not required to purchase the software in case they opt for an online service (ASP/ e-service), they only need to install and configure it. These software programs help manage payroll, benefits, etc.

### **E-services**

Another category is e-services. These are Web-based HR services. Both BPOs and ASPs are often referred to as e-services.

## **INDIA AS AN HR OUTSOURCING DESTINATION**

India is emerging as a major player in HR outsourcing. Though there are hardly five to six names in this market, they are trying to make a mark for themselves and tap the potential of providing HR outsourcing services. Companies like India Life Hewitt are expanding their horizons by extending their services to the Asia-Pacific and Middle East region. However, overseas HR servicing companies are beginning to view the Indian market as a viable

investment destination, where they can set up their operations and cater to the rest of the international market. The \$450 mn Exult Inc. started a 70-people outfit in Mumbai.

From the tactical and straightforward handling of payroll and benefits, HR services providers are moving into the strategic world of BPO. HR-enablers are helping HR managers free themselves from the routine jobs and work towards taking employee services to a higher level. India, with its intrinsic advantages such as low cost, ready pool of English speaking manpower and geographic positioning is emerging as a viable destination for HR outsourcing companies to set up their businesses. The HR outsourcing business opportunity is large and India is likely to emerge as a major player in this market. Patni Computer Systems is looking to leverage its work done on 401K pension plans to get into HR. Daksh has started payroll processing. The \$5 bn payroll processor, Automatic Data Processing is also planning to start operations in Hyderabad.

TABLE 1

Service Line in India	Market Potential (In Billion)
Human Resources	3.5-4.0
Customer Relationship	7.0
Payment services	3.0-3.5
Content Development and others	2.5-3.0
Administration	1.5
Healthcare	1.5-2.0

Source: Businessworldindia.com, August 4, 2003

## HR OUTSOURCING: A FEW EXAMPLES

### Pepsico India

The Rs. 1,000 cr Pepsico India outsources payroll operations; parts of senior level recruitment; technical, sales and behavioural training; compensation and benefits surveys; compensation strategising and Industrial relations. Its rival Coca-Cola India uses the same logic, not to do its own payroll and benefits management; middle and senior-level recruitment; and technical and behavioural training.

### Hewlett-Packard India

The Rs. 760 cr Hewlett-Packard India buys education and technical training, senior-level recruitment and the annual compensation survey.

### **Reebok**

Reebok buys its recruitment; management of compensation and benefits; technical and behavioural training.

### **Smithkline Beecham Healthcare (SKBH)**

The Rs. 589.62 cr Smithkline Beecham Healthcare (SKBH) buys its compensation and benefits surveys; senior-level searches; employee communications and training.

### **Cadbury India**

The Rs. 356.72 cr Cadbury India outsources its specialised technical and behavioral training and senior-level recruitment.

### **Motorola**

Motorola outsources its recruitment annual compensation surveys.

TABLE 2

<b>Major Indian Companies that are into HR Outsourcing</b>
EXL Services.com (I) Pvt. Ltd.
Daksh eServices Pvt. Ltd.
GTL Ltd.
Spectramind
Datamatics Technologies Ltd.
Tracmail India Pvt. Ltd.
Brigade Corporation
Epicenter Technologies Pvt. Ltd
Firstring
24/7 Customer

Source: [www.nasscom.org](http://www.nasscom.org)

## **ADVANTAGES AND DISADVANTAGES OF HR OUTSOURCING**

### **Potential Benefits of HR Outsourcing**

- Reduced cost.
- Increased efficiency.
- Access to improved HR IT systems.
- Improved management information (including human capital metrics).
- Access to HR expertise not available internally.
- Increased flexibility and speed of response.

- Philosophical reasons.
- Reduced risk.
- To free HR resources to operate more strategically.

### **Potential Pitfalls of HR Outsourcing**

- Don't outsource what you don't understand. The HR outsource provider will only have to subsequently solve the problem (at a cost) and the provider's solution might not be most suitable from your organisation's perspective.
- HR outsourcing does not absolve the organisation of good people management practices nor of overall responsibility for the provision of HR services.
- Loss of local knowledge and processes which instead reside with the outsource provider.
- Standardisation of processes in line with outsource provider not organisational preferences.

### **CONCLUSION**

One of the beauties of the HR Outsourcing market is the fact that its end-user base is not restricted to any particular industry, sector or size. Virtually every company has HR needs, from the smallest entrepreneurial firm to the largest multinationals. Almost all can potentially benefit from some kind of outsourcing. Having said so, it must be admitted that there seems to be a myopic agenda for the whole process. Even though bogged down by the routine, HR departments have an undeniable and all too important role in building and sustaining the organisational culture. Cutting the HR staff and letting the remaining few to focus on the so-called strategic and mission sensitive issues may yield immediate results. But the wisdom of doing so will only be known in time to come. After all, cost-cutting is not the 'be all and end all' of great companies.

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# Impact of the Economic Reforms of 1991 on the Growth of Indian Economy and Industrial Sector of India

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**Abstract**—Before 1991, India was a nation with political independence but no economic freedom. If the license and permit tied India down, they also stifled individual aspiration, ambition and achievement. That's why the touchstone of the economic reforms launched in 1991. India initiated the reforms in 1991, after financial crisis. In this process, India liberalized the industrial sector from license-permit raj which has accelerated the growth of Indian economy. Indeed economic reforms, aided by the rapid diffusion of technology, have enabled individuals, groups and companies to tap talent to not only create new businesses but set off a virtuous cycle of growth and entrepreneurship but on the other side agriculture sector adversely affected. Foreign Direct Investment, exports and other related variables of external sector shows a positive outcome growth of Indian economy.

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## INTRODUCTION

Indian economy was in deep crisis in July 1991, when foreign currency reserves had plummeted to almost \$1 billion; Inflation had roared to an annual rate of 17 per cent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian Economy. Capital was flying out of the country and we were close to defaulting on loans. Along with these bottlenecks at home, many unforeseeable changes swept the economies of nations in Western and Eastern Europe, South East Asia, Latin America and elsewhere, around the same time. These were the economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programs. After pursuing an inward-looking development strategy with the state assuming an important role for more than four decades, India decided to take a historic step of changing tracks in 1991. It embarked on a comprehensive reform of the economy to widen and deepen its integration with the world economy as a part of structural adjustment. There seems to be a general consensus on the desirability of reforms to dismantle the bureaucratic regulatory apparatus evolved over the years that may have outlived its utility. However, there has been considerable debate on the contents of the reform package, their sequencing and the pace, their implementation and their impact.

The new economic reforms, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. With the onset of reforms to liberalize the Indian economy in July 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy. Now that India is in the process of restructuring her economy, with aspirations of elevating herself from her present desolate position in the world, the need to speed up her economic development is even more imperative. And having witnessed the positive role the rapid economic growth of most of the Southeast Asian countries and most notably China, India has embarked on an ambitious plan to emulate the successes of her neighbors to the east and is trying to sell herself as a safe and profitable destination for FDI.

Two decades of liberalization in India had a favorable impact on the overall growth rate of the economy. This is major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia. The pickup in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8th position in 1991 to 4th place in 2001; when GDP is calculated on a purchasing basis. During 1991-92 the first year reforms program, The Indian economy grew by 0.9% only. However, the Gross Domestic Product (GDP) growth accelerated to 5.3% in 1992-93, and 6.2% 1993-94. A growth rate of above 8% was an achievement by the Indian economy during the year 2003-04. The annual growth rate of the GDP was impressive 8.5 per cent (2004-05), 9.0 per cent (2005-06) and 9.2 per cent (2006-07). The foreign exchange reserves (as at the end of the financial year) were \$ 39 billion (2000-01), \$ 107 billion (2003-04), \$ 145 billion (2005-06) and \$ 180 billion (in February 2007). The cumulative FDI inflows from 1991 to September 2006 were ₹ 1, 81,566 crores (US \$ 43.29 billion). The sectors attracting highest FDI inflows are electrical equipment's including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent),

etc. In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient. India controls at the present 45 per cent of the global outsourcing market with an estimated income of \$ 50 billion. In respect of market capitalization (which takes into account the market value of a quoted company by multiplying its current share price by the number of shares in issue), India is in the fourth position with \$ 894 billion after the US (\$ 17,000 billion), Japan (\$ 4800 billion) and (\$ 1000)

### **RESEARCH METHODOLOGY**

Several earlier studies have attempted to analyze the impact of the economic reforms of 1991 on the economy and industrial sector of India. In one of the earlier studies Nambiar et al. (1999) started from the expectation that trade liberalization “encourages economic activity and hence raises production and employment”; he then asked whether this was also true in the Indian case. Although this expectation may be justified in the longer run, it seems somewhat unrealistic to expect immediate benefits since trade liberalization always implies increased foreign competition, which in turn may lead to the closure of less competitive firms and therefore job losses and income reduction in the initial phase following trade liberalization. One may argue, however, that by 1999 it was possible to expect the longer-run impact of increased productivity, competitiveness and accelerated growth. This raises questions about the timing of the reforms and about the time lags necessary to achieve the longer-run changes. In spite of the accelerated growth figures of the mid-1990s being already available, Nambiar et al. (1999) concluded that “trade has over the years shrunk India’s manufacturing base, both in terms of value addition and employment”. Although the authors admit that “this ‘high protection-high cost-poor IJRREST: International Journal of Research Review in Engineering Science and Technology (ISSN 2278- 6643) |Volume-1 Issue-1, June 2012 Quality’ syndrome needed to be corrected by import liberalization”, their assessment of the reform impact is rather pessimistic.

Chauduri (2002) also reported that the “expectations of rapid and sustained growth of output and employment ...have not materialized.” The author concluded that value added growth in the 1990s was inferior to that in the 1980s, that the industrial base had become shallower, that employment growth in the 1990s was negative in five out of nine years and that the labour productivity stagnated after 1995/96, after having increased 4 in the early 1990s. Here again no attention is paid to the changes in protection, prices and costs that resulted from the reforms.

A much more positive picture was drawn by Panagariya (2004), who argued that growth in the 1990s was more robust than that of the 1980s and that it was achieved through important policy changes. The main policy changes held responsible for accelerated growth are the liberalization of foreign trade, the reduction in industrial licensing and opening to foreign direct investment. Balasubramanyam and Mahambre (2001) attempted to relate different aspects of the reforms with changes in industry performance, in particular with productivity change.

### **OBJECTIVE OF THE STUDY**

The Present paper seeks to attain following objectives:

1. To analyze the impact of economic reforms on Growth rates.
2. To impact the change in various sectors after new economic reforms

### **GENERAL PERCEPTIONS OF INDUSTRY REPRESENTATIVES**

#### **Regarding the Impact of Reforms of 1990s**

In analysing how the reforms of the 1990s have affected Indian manufacturers it is useful to start with the distinction of various policy changes rather than treating the reforms as a single act of reform. The sample enterprises were therefore asked which policy changes affected them most strongly. Also, the firms were asked to describe specific problems of their industry that were related to the reforms. Twenty out of 51 responding firms described the reform impact on their industry as positive, eighteen as mixed, eight as negative and five as absent. The policy changes most often cited as affecting their industry were trade liberalization (35/50), while domestic policy changes were named in 15 responses. The problems that had most affected the industries before the reforms were trade-related issues, in particular the 8licensing of imports (21/33 responses), while the remaining 12 responses were split between domestic licensing (5), taxation (5) and other issues (2).

#### ***Trade Liberalization***

Trade liberalization has the immediate impact of increasing imports of products that compete with domestically produced products. These imports may be either cheaper at similar quality or similarly priced with superior quality attributes. In either case the domestic producers are likely to face increased competitive pressure, to which they can respond in various ways, mainly by reducing their own prices and profit margins. The firms were

asked to remember what had happened to their output prices following trade liberalization. Only half of the responding firms (23/46) reported price reductions, while 15 representatives remembered their prices to have risen. This outcome is not totally surprising, although unexpected, because it is difficult to separate relative price movements from the general upward trend of prices. Respondents tend to remember more the upward trend in prices than the downward pressure of relative prices following increased competition from imports. Closely related to the question of price changes is that of the timing of the reform impact. When asked to remember the time in which competing imports started to penetrate the Indian market, the largest number of answering firms (13/28) claimed to encounter no competition from imports. This was particularly the case in metal industries and pharmaceutical products. It may be explained either by the domestic firms thriving in niche markets implying greater competitiveness of the Indian firms in these sectors, or by the continued existence of some barriers to imports. Only six firms reported increased import competition in the early 1990s, while nine firms observed increased competitive pressure only in the late 1990s and after 2000. These responses surely reflect the timing of the reforms, i.e. its gradual reduction of import restrictions, and indicate that the adjustment to trade liberalization by the firms seems to have occurred with a long time lag following the beginning of the reforms in the early 1990s. One of the less expected answers was obtained to the question of how the prices of competing imports compared with the producers' own prices. The majority of the responses said that their prices were lower or equal to those of their foreign competitors, and this applied to potential imports before import duty. Only three firms indicated that their prices were less competitive. In numerous interviews the impression was conveyed that the Indian producers were positively cost-competitive and, in some cases, ready to export. This opinion was most often heard in the Auto parts industry (6/7), but also in Metal products (5/6), Pharmaceuticals (8/11) and Wood products (5/7), whereas in Textiles and clothing it was heard in only three of 17 firms. The adjustment to the new market environment usually takes various forms, such as cost cutting, product quality improvement, product or design change, organizational change etc. In 15 of the firms visited the managers confirmed that they succeeded in cutting costs, and in 12 firms product changes were made, mainly by upgrading product quality and design. Among the remaining 17 answering firms, several mentioned that they had achieved cost savings through expansion of output, both domestically and by exporting. Cost reduction usually requires firing of redundant workers, but this is difficult in the Indian context due to the existing labour laws. Not surprisingly, only five of the responding firms

admitted to having practiced retrenchment, while 35 respondents stated that they managed without retrenchment. Subcontracting, on the other hand, was more widely practiced, precisely in 24 of the 45 answering firms. Although subcontracting can take various forms, the most common form amounts to the replacement of regular workers by casuals, who are often hired by labour service providers. Such a change leads to cost savings as it reduces social overhead charges. A further way of cutting production costs is by changes in material inputs. One particular cost cutting method involves subcontracting whole stages of transformation to suppliers of intermediate inputs, which is often referred to as outsourcing. In 30 of 49 answering firms this kind of subcontracting was chosen and it implied generally a reduction in labour and capital costs, but an increase of intermediate input purchases. Since this type of change involves changes in value added the specific tax regulations influence the choice of the input mix. We shall therefore briefly review the differences in tax regulation and their impact on the production technology adopted.

### ***Taxation***

The Indian taxation system is known to be complex and to differ regionally. While income and corporation taxes, as well as the value-added tax (replacing the excise tax), are administered by the Central Government, the states and municipalities levy their own taxes and provide discretionary exemptions to attract investment (KPMG, 2005). The answers obtained in our survey reflected not so much the regional differences, but the recent changes, as well as exemptions. The answers conveyed the impression that firms are not competing on a level playing field. The reported differences in tax rates seem to be as important within industries as they are between industries. The corporate income tax rate, for instance, was reported as 30% (for small firms) 33% for domestically incorporated firms (even if foreign owned) with profits exceeding Rs 1 million, and 42% for foreign firms (not incorporated in India). Although the tax rate on foreign firms has been lowered from 48% to 40%, new surcharges (corporate and education) have been introduced. The value-added tax (VAT) seems to vary between 4% and 12%, depending on the stage of transformation in manufacturing. Excise and sales taxes vary even more, according to enterprise location as they are determined by the states. Although the reforms have led to attempts of simplifying and reducing the tax burden, the survey conveyed the impression that more transparency and equity are desirable for international competitiveness.

## **Domestic Reforms and the Business Environment**

Three aspects of the business environment are considered here, first the bureaucratic side of doing business, then the supply of infrastructure and utilities, and finally policies furthering technological progress. One of the typical aspects of India's traditional business environment has been far-reaching regulation. Various authors have referred to it as the "licence raj" and identified it as an obstacle to faster growth and development. The reforms of the early 1990s gave rise to policy changes in this respect and led to an alleviation of the bureaucratic burdens imposed on the business community. In spite of these changes, the regulatory arm of the government is still strong and very present. The sample firms were asked whether they needed government clearance for their business and the majority of responding firms (20/36) reported positively. As expected, the pharmaceutical industry is leading in this respect, with 9 out of 11 firms citing licensing requirements. For wood products (4/7), metal products (2/6) and auto parts (2/7) industries follow with minority views. In the area of infrastructure and utilities manufacturing industries rely very strongly on the availability at low cost of energy (petroleum and electricity), transport and communication. It is one of the governments' important tasks to generate an enabling environment, in which these goods and services are available at competitive costs. The sample firms were therefore asked to state their satisfaction or dissatisfaction with regard to these policy concerns. While for communication the satisfaction level was relatively high, with 26 out of 29 responses being positive, energy cost and availability drew largely negative responses, 11/18 for petroleum and 16 out of 31 for electricity. These responses underline the need for further reform in the area of energy supply. For transport services, the responses were similarly negative, with 15 out of 30 responses advocating further improvements of roads and rail transport as well as ports. Finally, one of the instruments of industrial policy in liberal economies is technology policy. It can take the form of subsidies for research and development or of investment incentives. The latter are more questionable as they tend to distort the incentive structure across the different sectors of the economy. The majority of responding firms (24/37) reported that they did not receive any kind of particular benefits, whereas five firms reported investment-related support, four firms admitted to receiving technology-related support (in pharmaceutical and metal products) and four more firms claimed to receive other forms of support, such as cheaper credit from public sector banks, worker training and tax rebates.

## **VIEWPOINTS OF PARTICULAR INDUSTRIES REGARDING THE IMPACT OF REFORMS OF 1990S**

The selection of industries for the present survey was based on two considerations. First, our earlier study of industry competitiveness using ASI data had identified rising and declining industries. It was decided to further investigate the reasons for both, growth and decline. Second, some sectors are presently very much in the public eye, such as pharmaceuticals and automobiles and automotive parts. They attracted our interest in spite of possibly average industry performance in terms of growth and exports. Therefore, in this section we try to contrast the survey answers with our previous findings from the study of competitiveness (Siggel, 2007) and observations of a few other authors.

### **Textiles and Clothing**

Although the textile and clothing industries are often treated as separate entities they are not easily separated, since many firms produce some kind of fabric together with garments. In fact, the ASI distinguishes at the 2-digit level three kinds of textile products, cotton textiles, wool and silk-based textiles and jute & hemp textiles, but only one clothing industry. The present survey covers 17 enterprises, 9 of which produce predominantly textile products (yarns, fabrics and other non-garment products) and 8 of them produce mainly garments. The majority of them are small and medium-sized firms and only three employ more than thousand workers. All except one are privately owned and only two firms are partially foreign-owned. The competitiveness study revealed that the textile sector, especially cotton textiles, was one of the least profitable industries, in spite of being strongly tariff-protected and in spite of its success in export markets. This apparent contradiction can be explained by two further observations: First, de-facto protection based on price comparison was significantly lower than the nominal tariff. Second, in spite of relatively low production cost, the industry has been submitted to intense competition with imports under the reforms, especially due to imports from China. Garments, on the other hand, are in the middle range of profitability. While cotton textiles have seen their share in GDP decline, the share of wool & silk products, as well as that of garments, has increased. While textile products occupy the second rank in Indian exports (following other products including jewellery), garment exports have held fourth rank (following food products) in the late 1990s. The ratio of exports to output has gone up in the combined three textile branches, from 15% in 1987/88 to 25% in 1997/98, while it has gone down in clothing. Finally, employment in textiles has grown less rapidly than in

other manufacturing (at about 1%), but in clothing it has grown at 10%, significantly above the manufacturing average of 2.2%. Labour productivity rose by 7.5% in textiles, but only 5.5% in clothing. The majority viewpoint expressed by the sample firms of the present survey is that the reforms had a positive impact, through reduced red tape and increased availability of new technology. The increase of exports was also related to the abolition of quotas of the Multi-fibre agreement (MFA). A smaller number of firms reported either no or a negative impact of the reforms, due to increased competition of imports. This was particularly emphasized by producers of silk products, who blamed cheap silk imports from China for the reduction in silk production. Subcontracting is particularly prevalent in the clothing industry, where many firms have much of their output produced by a large number of families in the villages. Among the complaints and recommendations for change most respondents mentioned the labour laws, infrastructures, the need for export incentives, tax and interest rate policies, as well as bureaucracy and corruption. Although infrastructure improvements in recent years were recognized, more needs to be done in the view of most of the responding firms. In that context, unreliable electricity supply is often responsible for high cost. The call for export incentives, even when limited to duty drawback schemes, was heard from five out of 17 firms.

### **Wood Products**

This industry was chosen for the survey as one of the declining ones. Wood products represented only 0.5% of manufacturing value added before the reforms and this share has gone down to 0.3% by the late 1990s. The analysis based on ASI data had shown that this industry has experienced declining profitability. Its export competitiveness has increased, however, which is in line with its growing export/output ratio (from 2.6% to 7.0%). Both its employment and labour productivity record have been below the manufacturing average. 14The seven sample firms of our survey are all in the small to medium size range: only three of them employ more than 100 workers, the largest one no more than 300. Although five of the seven firms do export (two of them 100% of their output of handcraft and furniture), the majority expressed dissatisfaction with the reforms. Import penetration of cheaper products, mainly from China, seems to have been the main reason for declining profits. Another factor, however, which is specific to this industry, seems to have affected the industry's competitiveness. The 1997 ban of domestic logging forced the industry to use more expensive imported wood, which contributed to the profit squeeze. The firms' recommendations to government include, besides the frequently heard complaint against the

labour laws, stronger incentives for exports through duty draw-back, but also further reduction of import duties on material inputs.

### **Rubber and Plastics Products**

This industry, which in its 2-digit ASI definition also includes petroleum and coal products, stands out by its high labour productivity, due to its capital intensity. Within the 1987 to 1998 period its share of total manufacturing GDP declined from 9.1 to 6.4%. Its profitability has been positive, although declining during this period, and its export competitiveness has risen to slightly below the sector average. Export performance and growth (tires and tubes) have been minimal, but employment has grown at an average annual rate of 5.2%, the third-fastest among manufacturing industries. Not surprisingly, labour productivity growth has been slow and below industry average. The present survey sample includes five manufacturers of plastics and rubber products. All of them are privately owned, without foreign participation, and all are medium-sized with between 25 and 150 employees. Four of them export, but only small proportions of their output (maximum of 15%). The general consensus on reform impact is positive and includes the following benefits: easier procurement of raw materials, access to new technology, enhanced opportunities for trading, increase in production efficiency and improved quality of products. Two firms reported declining profits due to increased competition, especially from Chinese imports, and increasing costs of power, transportation and labour. The main areas in need of further reform were identified as labour laws, road and sea port infrastructure, power supply and the cost of credit. 15

### **Chemicals Including Pharmaceutical Products**

The chemical industry was included in the present survey because of its increasing importance. Its share of value added increased from 16.3 to 18.5%, placing it at the first rank, although in terms of employment it ranks only fourth. Its profitability was found to be above the industry average and increasing, whereas its international competitiveness was found to be about average but rising. Its ratio of exports to output has doubled from about 5 to 10%. The main export products of the industry are pharmaceutical products, which prompted the present survey to focus on this sub-sector. The Indian pharmaceutical Industry derives its strength from the development, production and export of generic drugs, which was encouraged by India's Patent Act of 1970. The legislation removed medicines, food and agro-chemicals from product patent protection to process patents, which had a shorter life (7 years as opposed to 14 years of product patents). Since 1995,

when trade-related intellectual property rights (TRIPS) legislation was adopted by the World Trade Organization (WTO), India had to amend its patent laws to make them compatible with TRIPS. Since 2005 the law is now fully TRIPS-compatible, with product and process patent protection of 20 years. This means that the Indian industry experiences a similar confrontation between the R&D-based formulation drugs dominated by multinational corporations and its low-cost bulk drug manufacturing arm, as in other WTO member countries. India has competitive advantage in the latter, due to the expansion of this industry since 1970, but it also searches niche markets in the formulation drug domain.

All ten enterprises included in the present survey are in pharmaceuticals, so that, unfortunately, the apparent ambiguity about performance of the chemical industry could not be clarified further by the interviews. As Srinivasan (2006) reports, industrial chemicals (the other major sub-sector) also increased their share in global exports; therefore, the observed decline in value added and employment remains unexplained. The sample firms are mainly (7/10) of small-to-medium size, but three of them employ more than 100 workers. Only four of them sell in export markets. In addition to the ten pharmaceutical firms the survey also benefited from an interview with a representative of the Indian Drug Manufacturers' Association (IDMA). 16 Although the sample firms are predominantly in the business of generic drugs, which suffers from the TRIPS-based constraints, the majority view of the respondents is positive about the reforms. The main advantages are seen in reduced trade restrictions, free flow of technology, increased foreign investment and fewer restrictions on collaboration with foreign firms. The industry-specific policies, such as pricing control policies, testing procedures and patent rights, seem to have a larger impact on the firms than the 1991 economic reforms. Despite of these constraints, which tend to lower profits, the Indian drug industry seems to be a strong international competitor. As to the complaints and recommendations for further reform, industry representatives added some industry-specific points to the often heard demand for labour law revision and improvements in electricity supply. In particular, the approval process of new drugs by the government should be shortened and price controls of drugs were criticised. Some concern was also expressed over the TRIPS-based constraints, which amounted to a call for government support in patent litigation against multinational corporations and in favour of laws that benefit the generic drug industry.

## **METAL PRODUCTS**

In this industry six enterprises were visited, all of which are privately owned. Only two of them employ more than 100 workers, but three of them have more than one plant. Three firms export, but no more than 15% of their total output. Based on our earlier study of this industry using ASI data, we expected to hear about declining profitability and loss of comparative advantage, in spite of some export success, as well as relative decline in terms of the industry's value added share. Four of the firms reported that the reforms had positively affected their industry, while two firms described the new business climate as more difficult and reported serious profit squeeze due to import penetration and relatively inflexible costs. On the positive side, the main benefits were seen in the increased availability and cost of manufacturing equipments and technologies. They helped the firms in competing with imports and in expanding exports. Only two of the six firms reported having benefited from export incentives, such as duty drawback and, in one case a subsidy for installing new machinery. Profit margins were reported to have declined in four firms, but increased in 17two. This apparent contradiction is most likely due to differences in product mix and thenature of material inputs used.

The main obstacles to future growth were described as infrastructure deficiencies, especially those of the transport network and harbours, but also electricity supply (power failures) and the rising cost of fuel. All respondents emphasized the need for increased public expenditure for infrastructure development. Another argument frequently heard concerns the tax structure. All respondents argued in favour of more standardization of taxes across regions and states. The discussion of labour laws triggered the most unanimous recommendations for change. All respondents agreed that more flexibility in hiring and firing, as well as with regard to overtime regulation, is needed. It was also argued that, in spite of visible improvements, further reduction of bureaucracy, especially regarding small business, is required.

## **Automobile and Automotive Parts**

This industry is one of the most interesting ones because of its visibility and the attention it has recently received by the government. One of the striking features of domestic consumption is the appearance of new automobiles on Indian streets since the 1990s, which has accelerated in the new millennium. The industry has attracted significant amounts of foreign investment and has become an exporter of automotive parts and a limited

number of cars. According to a recent statement of the Government, the industry is targeted as global manufacturing hub for small cars in the next 3 to 5 years (Srinivasan, 2006).

Based on aggregate (ASI) data, which at the 2-digit level includes all transport equipment, the industry is still relatively protected. Its nominal rate (collection) declined only marginally from 48% to 47% from 1987/88 to 1997/98, but our price-based estimate is much lower at 15%, although higher than the industry average of 10%. The industry was shown to have improved its profitability and international competitiveness in the same time period (Siggel, 2007). Its growth of exports has been in the same order as that of metal products (13%), although its proportion of output exported was smaller than that of metal products. Finally, employment growth was only half the industry average, suggesting that some retrenchment may have occurred. This is confirmed by larger than average gains in labour productivity.

The present small-sample survey has covered only seven enterprises, which included two very small firms (five to ten employees) but also three large firms with over 1000 employees. Their output ranges from automotive parts and maintenance/repair to assembly of commercial vehicles, buses and trucks. Three of the firms do export, one at a rate of 30% of its output. Four firms have existed since the 1960s or 1970s, but three of them have started operations only in the 1990s. Four of the firms were either foreign-owned or had joint ventures with foreign partners. The reform impact was viewed quite differently by the participating firms, depending on whether the respondents were connected with foreign firms or not. The foreign-linked firms described the impact as favourable due to their access to new technology. The firms that are not connected to foreign firms saw the impact as unimportant or negative, due to diminished protection, increased competition and falling profits. The main obstacles to business were identified by the respondents as electricity supply failures, infrastructure deficiencies, rigid labour laws and access to and cost of credit.

## **CONCLUSION**

The inquiry confirmed our former observation that the manufacturing sector as a whole did not decline as a result of the country opening its borders to freer trade and foreign investments. The main benefits occurred to industries through the access to new products, technologies and skills, as well as lower costs of intermediate inputs. In some industries the increased competitive pressure led to shrinking profit margins, but others managed to increase

profits by adjusting to the new environment. Second, the relative success of the reforms can be attributed to its timing and sequencing, as well as to the fact that they also included internal reforms amounting to reduced regulation. The timing of the trade liberalization was gradual over the 1990s and it was preceded by macro stabilization including currency realignment. Third, although the majority of firms in the sample were small firms and not affected directly by the existing labour laws, the need for further reforms in this area was frequently stated. Finally, most firms said that the manufacturing sector faces serious constraints in the form of infrastructure deficiencies in electricity supply, domestic transportation, sea ports, etc. and the government needs to improve the infrastructure to ensure continued future growth of the manufacturing sector. Thus our study suggests that economic reforms of 1991 were helpful to most industries by increasing access to foreign technology and cheaper capital goods & raw materials. Most firms felt that improvement in infrastructure and more flexible labour laws will further aid the growth of India's manufacturing sector.

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# Intention v/s Impact

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Every single day in our lives, we are faced with dilemmas. What decisions to take? What response to give? How to interpret a situation? We reflect so much on them because we want to take the right decisions, do the right things, make the right choices and understand situations correctly. But there are times when we do go wrong. We do not succeed in comprehending issues accurately.

So what brings success to a situation? What makes it a failure?

To my mind, more often than not, communication is the difference between success and failure!

Communication is a very complex process. There are so many variables at work when we communicate! Language, accent, culture, perception, emotions, interest, body language the roll is endless. The communicator is like a skilful juggler balancing all elements unflinchingly. You miss one element and the show is spoilt.

We all discern that, good communication principles are the easiest to appreciate but the most difficult to apply.

Of all the communication elements that we juggle, the one that is uppermost in my mind is, understanding the difference between intention and impact.

Very commonly, after a disastrous interpersonal episode, we engage in retrospection. We justify our acts or words by saying, 'but my intention was undoubtedly good yet I don't know what went wrong'

The conflict just escalated the situation worsened. Things just blew up!

In this article I want to talk about just this!

We sing praises about our good intentions but rarely do we spare a thought for the impact it has on others. An unfavorable impact completely negates a good intention however noble it may have been.

What use is the good intention behind your communication, when it has created a bad impact?

Having said that, does it mean we should discard good intention? No. Absolutely not.

We just need to reconcile intention and impact. There is a time when we should make concessions and allowances for good intentions. The question is how and when?

Well, a simple thumb rule:

- As a sender, focus on impact. As a receiver, focus on intention.

### **AS A SENDER, FOCUS ON IMPACT**

When you are the sender of the message, handle your communication with utmost care. Consider impact. Ask yourself, what will be the impact of my communication or message on others? Will it achieve the desired result? Or will it work to the contrary? Focus on impact.

Carefully considering the five Ws and one H of communication can help us achieve the right impact.

### **Consider**

- Who am I communicating with? (Check your body language, medium of communication).
- What do I have to communicate? (Choice of words must be appropriate).
- Why am I communicating?(Never lose focus of objective).
- Where should I communicate? (Venue may be wrong).
- When should I communicate? (Time and timing may be incorrect).
- How should I communicate for the proper impact? (Follow etiquette and courtesy).
- I truly believe, careful consideration to these questions, can help us achieve the right impact.

### **AS A RECEIVER, FOCUS ON INTENTION**

When you are dealing with others' communication with you, consider intention. When you are the receiver, do ask yourself: "I know I am upset at what was said to me or how it was said to me. But do I believe that the intention of the sender was good?" If the answer is yes, you must make

allowances and give concessions to the sender for being tactless. Focus on the intention.

Many times, even in power and politics it is the intent that can be malafide. Otherwise intelligent attorneys and competent chartered accountants take every care, use every possible loophole, to give corporate or political deals a semblance of legality. Yet, all that is legal is not necessarily ethical. It is the intent that makes the distinction.

Even in an organization, managerial excellence runs the risk of being interpreted as politicking. It is the intent that determines if the action of a manager was aimed at achieving managerial excellence or was it indeed politicking!

*A simple consideration to intention and impact of communication  
can prevent conflicts from escalating.  
Success is when the right impact is achieved.  
Let us not blow up things with our sheer 'good intentions'!*

**—Sangita Soman**

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# Labour Management Relations for Productivity Improvements

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## **INTRODUCTION**

The relationship between 'Management' and 'Labour' has always been a Subject of Fascinating study. Perhaps, it is the gift of first industrial revolution (1760–1850) that these two classes were created with inbuilt conflicting interests (of course, there has been a legacy of Feudalism and mercantilism which is a history of exploitation).

Let us look at the twentieth century from 'Management-Labour-Relations' angle. Historically, it was a continuous track record of 'Management' 'exploiting the 'Labour' Even in early part of the century, organizing a trade union was a great sin! In 1940's through 1950's, we have made a good headway in organizing labour movement. (though large part of the working class is still not in the fold of 'organized movement'). However, it is observed that the number of militant unions is on the increase and that there are occasions when common man wonders whether 'Management' 'is exploiting 'Labour' or 'Labour' is exploiting the 'Management' Perhaps, the organized labour has started exploiting the Management !

In recent years, at least in some places, we have probably entered into the third phase. Both the 'Management' and 'Labour' join hands and wherever possible exploit the 'Customer'. This feeling is also commonly expressed in developing countries. As it is, the consumer movement is not very strong and therefore, in many countries, it is not very difficult to exploit the customer ( and reap the benefits to both employer and employee) In many cases, the of 'Quality' is to woo the customer though exploitation continues.

People expect that, in the fourth stage 'employers-employees and customers' will come together and exploit the resources (a statement which obviously alerts environmental experts!).

## **PRODUCTIVITY IMPROVEMENT**

From the beginning, National Productivity Council of India as well as Asian Productivity organization and various productivity boards have taken a stand that Government, Employers, Employee and other interests like,

Educational, Research and Consumer associations will play effective note in improving productivity and sharing the gains of productivity.

One is reminded of Miss. Mary Parker Follett, a political scientist of international repute who compared ‘employer-employee relations with that of relationship between ‘strings’ and ‘blow’ of the violin. Unless there is a conflict between string and bow, the music will not take place. Of course, one is tempted to appreciate the notes of violin only when the artist has personal skill of playing the strings and bow effectively. Customer seems to be interested in listening to the music, can Government play the role of artist? In most of the countries, government is also an employer (supposed to be model employer).

### COMPREHENSIVE VIEW

The following diagram explains Miss Mary Parker Follett’s deep insight into the Industrial Relations Problem:

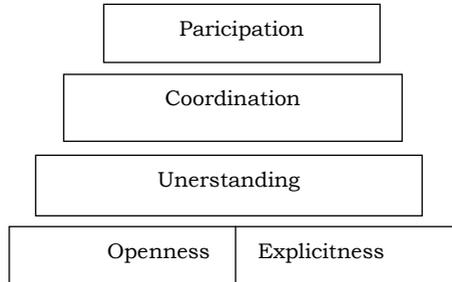
#### Diagram

Miss Follett forcefully puts her argument of ‘Collective Creativity’ (as against people talking endlessly on ‘collective Bargening). In her own words: It is the responsibility of the Manager to bring about integrative Unity of Business. One has to find a method for intergriting the interest of three classes-workers (Including Managers) Consumers and Investors. A business organization provides scope and opportunities for ‘Collective Creativeness’ which can be a powerful unifying force.



I am avoiding the temptation of extensively quoting Miss Follett, but when a lot of talk is going on ‘Participative Management’ (Is it a farce or a reality? Workers don’t want to participate–why force them?) the following diagram offers useful understanding of Participative Management: (Courtesy: Miss. Mary Parker Follett).

Participation rests on two foundation stones Co-ordination and Understanding. For Co-ordination we need under Standing and for under Standing we need openness and explicitness:



It is quite clear that participation rests on two foundation stones- Co-ordination and understanding. For co-ordination, we need understanding and understanding depends upon openness and explicitness.

If 'Future common interests' are regarded as central communication linkage, possibilities of cordial industrial relations are far superior.

### **WAGES LINKED WITH PRODUCTIVITY**

In large scale private sector organizations and multi-nationals the management labour agreements based on productivity are being signed. This is a good trend. The period of agreement does vary from three to five years. Earlier, from the Employer's point of view, agreements were taking the shape of 'Buying peace' If various Governments in Asian countries can take lead: 'Wages linked with Productivity' will become a common feature.

It will also help improving the labour-productivity and much desired efficiency of public sector all over. In many countries, all said and done, public sector is the largest sector of the economy.

As regards linkage of 'wages' with productivity-small scale sector will also be benefited. Most of the small units are asking for independent legislation, but it may not be very difficult to set the norms for small scale industries. The beauty of the techniques that it can be applied in all the sectors viz. manufacturing trading, service industries etc.

### **GANDHIJI'S CONCEPT OF TRUSTEESHIP**

Almost all the Asian countries remember Mahatma Gandhi for his basic concepts of 'Swaraj' (Self discipline and self rule) and 'Ahinsa' (non-xploitation in the economic and industrial field) To summarise Trusteeship concepts:

1. Trusteeship provides a means of transforming the present social orders.
2. It does not recognize any right to private ownership except so far as it may be permitted by Society for its own welfare.
3. It does not exclude legislative regulation of ownership and use of wealth.
4. The individual will not be free to hold or use wealth for selfish satisfaction in disregard to the interest of the Society.
5. The difference between minimum income and maximum income should be reasonable, equitable and variable.
6. Under the Gandhian Economic order the character of production will be determined by social necessity and not by personal greed or whims.

It may be noted in this context that Gandhiji approved the above mentioned trusteeship Formula in 1942. Thereafter, in India nothing was done to promote the concept till 1965. In 1966 Mr. Jayprakash Narayan organized an International seminar on 'Social Responsibility of Business' and Social Responsibility of Trade Unions. The concept of 'Social Audit' was initiated but the same did not meet with much success (with honourable exception of TISCO's social audit reports by Mr. P.G. Mavlankar) In 1973, Trusteeship foundation was established in Bombay. It continues to propagate and occasionally demonstrate the experiments in Trusteeship.

Trusteeship has made noteworthy progress in England through 'Common ownerships'. There are more than 200 companies operating on common ownership basis.

One must confess that the progress of Trusteeship Units and implementation of Trusteeship concepts is very slow. It is time that national and international bodies like A.P.O. I.T.O and N.P.C. should take interest in organizing discussions and training programmes on 'Trustee ship theory and practice'.

Mahatma Gandhiji's ideas are much ahead of his time but his confidence is expressed in his oft-quoted statement. 'My concept of Trusteeship is no make shift: Certainly not a camouflage. I am confident that it will survive all other theories. It has a sanction of philosophy behind it.'

## CONCLUSION

In conclusion, I wish to reinforce, that the concepts of Miss Mary Parker follett and Mahatma Gandhi deserve special attention for promoting productivity in the frame work of industrial democracy. If productivity is a means of improving the quality of life, use of Trusteeship Concepts and Collective creativity will positively lead to better society.

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# Challenges to World Economic Growth

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Almost everyone is interested in analyzing an intriguing situation with reference to the liveliest topic, the 'World Economy'. It's surely a rather unsolved puzzle as to what's going to be the state of the World Economy over the next two years. As for my statement on the subject, I can sum it up in four simple words, 'I do not know'. On a serious note, the truth of the matter is, no one really knows what's going to happen to the future of the world.

Numerous experts have doled out expert opinion and assumptions and have come up with analysis, on the topic, albeit faulty ones. If any hypothesis is to come true, it would be more as a fluke rather than as a result of logical thinking and expertise, simply because the subject world economy is so complex that most predictions fail in this regard. In reality, the future depends on the kind and the nature of shocks that are to come our way and that there are going to be shocks is for certain. However, what kind of shocks, is again an unpredictable situation.

## **FUNNY CASE OF DR. BATRA'S BOOK**

Let me cite an example; in 1985, my friend, Dr. Ravindra Batra of the Southern Man University wrote a book titled 'The Great Depression of 1990' which became a huge hit and made it to the New York Times best seller list.

Dr. Batrapredicted in the book that the 90s would witness a serious depression and recession and offered a great analysis of this hypothetical situation along with many theories. As it were to happen, in 1987, the US stock market did tumble and nosedive and Dr. Batra became a celebrity overnight. People from all over the world started calling him over as his book attained huge popularity with nearly 10,000 copies being sold every week. The author laughed his way to the bank.

However, what happened later, in the years to follow is more interesting than what happened to Dr. Batra's book. The predictions turned out to be hollow as the 90s became the most prosperous decade for the United States. Dr. Batra was utterly wrong in predicting the contraction as the US economy witnessed a boom, thanks to the IT revolution. There was no recession or depression as predicted by Dr. Batra, who a multi millionaire and is a good friend of mine. The point is, no one can predict an economic situation.

## **CRISIS OF 2008**

Take the case of the crisis of 2008. There were no predictions about the problems that were to crop up in 2008. The point is, it is a hard guess as to what's going to happen in the years to come. The assumptions are difficult to arise at and the shocks could not have been predicted. When the actual contraction took place, nobody had offered a prior view as no one can, in reality.

## **THE BIGGEST ECONOMY IN THE WORLD**

The US stands as the biggest economy with the highest GDP albeit its share to the world economy has dropped from its earlier 33% to 22%. However, it's the largest economy in the world and it garnered about 13 trillion dollars in the years 2010 and is expected to reach 15 trillion dollars by 2015. This shows that the real growth in GDP has been slow and stands at about 1%, a very nominal rate of growth. All these years, it was always 3 %, which was a nominal growth too.

The slow growth is all due to the fiscal policies adopted by the US government where the Congress passes budgetary bills that are then signed by the President sitting in the very picturesque Rose Garden area of the White House under camera scrutiny. These bills are thus converted to laws. The record of the fiscal policy has been outrageously expansionary. On this note, it's great to observe that the White House is endowed with many specially carved out areas like the library, an attached study etc.

## **CONSTANT BUDGET DEFICIT IN US**

For instance, in 2010, the government and the Congress authorized a budget of \$ 3,500 billion on government expenses. Consider the unemployment of 10 per cent and such factors. The revenues stood at \$ 2000 billion, leading to a deficit of \$1500 billion. What's even more interesting is the fact that all the successive Presidents have authorized these expenditures over the past four decades after 1969. About 41 years in a row, they have always had a budget deficit, barring the years 1999-2000, when they did not witness a budget deficit.

## **NATIONAL DEBT**

All this revelation leads us to ponder how the US government does then cope with the deficit? How is the finance raised? The answer is simple, by selling bonds to the public by the treasury. In other words, these bonds are a form of public debt or national debt. Incidentally, US has the largest accumulated

national debt that stands at about \$ 15 trillion currently. The debt GDP ratio has reached 100 per cent, an important number. History shows that countries that have gotten into a debt crisis have crossed 100 per cent debt-GDP ratio for example countries like Venezuela, Chile. In 1990s, the South East Asian countries like Indonesia, Malaysia got into debt crisis. There is a general lack of rational thinking to curb the deficit and nobody seems to ponder over taking the bulls by its horns.

As far as the US goes, the budget deficit has not gone down in the year 2012, as it happens to be the year of Presidential elections. Two ways to reduce the deficit are self defying by themselves. No elected government will promise to reduce the government expenditure, the first method to alleviate the deficit and neither will any elected representative dare to increase the taxes as a means to curb the deficit. Therefore, both the methods to tackle the deficit are self defying in nature. There's naturally no chance to reduce the deficit in 2012.

### **LETTER TO MR. PRESIDENT**

In 2009, the Obama administration authorized a humungous spending programme of \$ 805 billion in just one bill. When the President needed support, in one lecture, he quoted, 'This spending is very necessary for our economy. All economists are with me'.

The next day, an independent research institute in Washington sent emails to some macro economists in the US and I was one of the recipients of such an email. The email read, 'Would you please sign this letter to the President and tell him that you disagree with the kind of spending that he intends to do'. This research institute was a big organization. Two days after we signed the letter for them, they published a full page ad in all leading dailies of the US stating the names and affiliations of the signatories. The ad said, 'Mr. President, please do not spend 800 billion dollars in just one shot'. As luck would have it, my name appeared right at the top of that ad. On that page 'Kulkarni' was on top of the ad as the list went alphabetically. I became a celebrity of sorts with many journalists calling me and approaching me for my views on the economy and the fiscal policy. I started getting phone calls from Seattle, Chicago, etc. They told me, 'You've signed the letter to the President. We would like to have your views on the fiscal policy'. I loved the attention. The point to be noted here is that neither the government nor the President really cared for what the economists wanted and all the policies were made with political considerations in mind.

## **MISERABLE MACRO ECONOMY**

Now let's talk about the monetary policy. This is the one that decides the money policy and is chalked out by the Federal Resources System in the US. The most popular way to change the money supply is the discount rate system. This is the interest levied by the Federal banks to other institutions for the money supply. Whenever the interest rates are lowered, the money supply goes up and bank deposits go up too. This interest rate has been consistently low over the past three last years. This rate has been even as low as about zero per cent and financial institutions need to qualify with many parameters to avail this low rate.

## **RECESSION IN THE US**

The banks in the US have also tightened lending regulations after 2008 and now they are very cautious about their lending rates. For instance, I got my home loan refinanced at a great lending rate of 3.6 per cent. The moral of the story is that the money supply policy has faltered too. We do not have a great policy on that front too. So, I can sum up that the American economic policies are not doing any great. In the US, the business confidence index is at its lowest. Businesses are not expecting anything positive from the government nor do they have any rosy picture in front of them. Investments are low, the GDP is low, and employments are low. They are as low as 9.6 per cent currently. The US economy is in sort of a recessionary period and the situation is indeed gloomy. Over my stay of 35 years in the US, this is the most depressive phase that I have ever witnessed. Personally for me, economic circumstances are good and my two daughters are settling in their own professions. However, the macro economy of the country is in a miserable shape.

## **DEPRESSION IN EUROPE**

Europe is in a more miserable shape. The debt-GDP being more than 100 per cent is common to many European countries like Greece, Turkey, Italy, Portugal and Ireland. These are all countries close to have an unmanageable debt crisis. They have similar problems like the US as they have allowed their debt-GDP ratio to cross the 100 per cent mark. France, Germany, UK etc are all doing better than the rest. In general, Europe is in the throes of a worse situation as compared to the US.

## **JAPAN IN DEPRESSION**

If you imagine that the Indian government is very slow and averse to taking quick steps to bring in policy change, Japan in comparison is even slower. Japan has a definite inertia in bringing about change to its economic policies and has been in a non decision making phase longer than us. Therefore, the Japanese economic growth is not very positive in the future.

We are definitely going to go slow in the foreseeable future. Even we in India are going to have a non decision making phase just like it is in Japan. This is going to be a global phenomenon. Even with Africa and Latin American countries making progress, they really do not matter in the global scenario.

The case of Chinese economy is a very peculiar. The general laws of economy do not apply not to China. As a government, the Chinese government is independent of any public influence and goes ahead with its economic policies.

## **WHAT ARE THE SOLUTIONS FOR US?**

Nobody can predict who can solve the crisis in the US. The IMF alone is too small to tackle the huge crisis in US. Way back in the 90s when India had availed an international gold loan and had physically deposited truck loads of gold in international banks, the country was bailed out. However, there is no comparison between the scale of crisis in India and that in the US as the latter is a giant and holds no comparison to any other third world country.

## **FUTURE OF WORLD ECONOMY**

Coming back to the first question as to what's going to happen to the world economy, I reassert that 'I do not know'. Agreed that India is the second fastest growing economy in the world but this doesn't prove anything about what's the future of the Indian economy in the years to come. In 2006-07 we were happy we had something called as the 'Hindu' growth rate. Past 1990, India has witnessed an amazing growth rate of 300 per cent and the rate continues. The future of youth is brilliant as there is 100 per cent employability in the country and the growth rate is at a constant. There is a lot of hope for India.

### **BOX ITEM**

Some answers to questions:

#### **Why has the Dollar Strengthened Even as the US Economy is in Limbo?**

The dollar has strengthened in comparison to the Euro, which has weakened due to the debt-GDP ratio. The strengthening of the dollar is only relative as compared to the Euro.

#### **What's the Future of the Indian Economy?**

The Indian economy has a certain growth rate and is a shock proof economy. The import-export participation of the Indian economy is minimal on a global scale and thus the global recession doesn't really affect India. It is the second largest growing economy and has a great employment potential.

#### **Who will be the Global Leader in the Next 35 Years? India or China?**

This is an unpredictable situation. Frankly, the US economy, I think will resurrect after the current depression. Each depressive phase lasts only for a short while. The Americans are very enterprising. They have the infrastructure to become a giant again. They will emerge soon.

#### **Will the Rising Crude oil Prices Affect the Global Economy?**

Times are changing. This was true in the seventies and eighties. Not any longer. The prices of crude oil do not really contribute to the changing world economy any longer.

# Films—A Product Designed by Society

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The base of any marketing activity is human need. These needs are various, they can be biological, social or individual. A successful marketer identifies such needs, converts it into a concept and finally develops into a desirable market offering, generally known as product. Market offerings (products) are not limited to only physical products but they can be service, information, person or an experience. What differs from consumer to consumer is the product-form preferred to satisfy these needs. These preferences are largely influenced by many factors like traditions, culture, history, etc. A successful marketer studies these factors and adopts his offerings to the consumer's taste.

Stories, dramas and films are the unique products. They satisfy various emotional needs of the audience (consumers). Like any other product, when a theme or a story is to be presented to different audiences then it is imperative that it should be adapted to the taste of the audience to whom it is presented and should be made palatable to their taste. For this very purpose the creator of the story has to use local references to which audience can relate with. This process in marketing terminology can be expressed as-the core product should be converted into the basic product after consideration of culture, traditions history and values and other factors which influence buying behaviour of the target consumers.

One of the universal needs of any human being or of any society is to teach a lesson to a bully or to a tyrant. Further the society in general has an augmented desire to show that even a common man who is considered to be the weakest part of the society can defeat the tyrant in his own way. Based on this basic need there are three films made in three different countries in different times. The core theme of these films is same—a sports match between a team of rulers and that of the oppressed. Each film was further conceptualised and developed by keeping in mind the segment of the audience it wished to cater to.

These three films are:

1. *Two Half Times in Hell.*
2. *Escape to Victory.*
3. *Lagaan.*

**FILMS IN BRIEF*****Two Half Times in Hell (1962)***

This is a Hungarian film directed by *Zoltán Fábri*, The story of the film is as follows:

The Spring of 1944. Nazi officers want to organise a football match for Hitler's birthday, in which Germans would play against Hungarian prisoners of war. They call for the famous Hungarian footballer, Ónódi, and order him to organise a team. During the training the players try to escape but are captured in no time. They are ordered to play the match. Naturally the moral of entire team is low because they know they shall have to face death penalty for their failed endeavour.

At the beginning of the match Germans easily score three goals but in the second half the entire picture changes and the chosen team wins the match. The entire team is gunned down when they are rejoicing the victory on the play-ground.

***Escape to Victory (1981)***

This is an American film made in 1981. It was directed by John Huston.

Escape to victory is known simply as 'Victory' in North America. The plot of the film consists of a football match between Allied prisoners of war and Germans during World War II. A team of Allied prisoners of war (PoWs), coached and led by English Captain John Colby (Michael Caine) (who was a professional footballer for West ham united before the war) agree to play an Exhibition match against a German team, only to find themselves involved in a German propaganda stunt.

An American POW—Hatch (Sylvester Stallone) also manages to get into the team. Hatch is planning his own escape, and Colby's superiors agree to help him, if he in return agrees to journey to Paris, make contact with the French resistance, and try to convince them to help the soccer team escape. Hatch successfully escapes from the prison, contacts French resistance group and a plan is hatched to help the escape of POW soccer team. Hatch gets himself recaptured and informs the (same) to British officers (POW).

The resistance group arranges for the escape of the team during the match through a tunnel in the bathroom. But the team decides to play on and manages to draw the match against many odds including biased referees. The entire crowd is jubilant with the team's performance and storms the field and takes all the players out with them and help them to escape.

## ***Lagaan* (2001)**

Lagaan is an Indian film made in 2001 in Hindi. The film was directed by Ashutosh Gowariker.

The film is set in the period of India's colonial British Raj and revolves around the peasants from a barren village who are oppressed by high taxes imposed by their rulers. They attempt to persuade the British officers to reduce the taxes because of poor harvest. Instead, a wager is offered. If their village team beats a British team in a game of cricket, their taxes for three years would be cancelled. After accepting this wager, the villagers face the arduous task of learning an alien sport and playing for a result that will change their village's destiny.

With the help of a British lady the villagers learn the rules of the game and develop their own team. The villagers win the game in spite of having players who played the game for the first time in their lives.

### **PRODUCT ADAPTATION**

Due to internet and other telecommunication products the global population is becoming familiar with other cultures and adaptation of life styles is under way. In spite of it the basic cultural differences are still largely prevalent in all the countries. The marketers traditionally believe that a marketing program will be more effective if adapted to the unique needs of each target segment. Many international marketers like McDonald think globally but act locally. McDonald uses the same basic fast food look, layout and operating model in its restaurants around the world but adapts its menu to the local tastes. Such strategy has always proven as a wise strategy especially if the 'product form' choices are influenced by culture, tradition or history.

In all the three films mentioned above the core need addressed is patriotism or glorification of spark of pride in the oppressed society, which given a chance can flare up and make considerable damage to the rulers. While converting this need into an expression through the film media; the marketers of the film have taken the help of history of the target audience. This blend of history and core need has created a successful product form in each case. Along with these unique differences certain commonalities can be observed in each film. These commonalities along with differences which have made these films unique products have been discussed below.

### **POINTS OF PARITY**

Each film is based on a match between the then rulers and those who were ruled. The members of the ruler's team were trained in the sport where as the opponent team had one expert either as a player or as an advisor (in

Lagan) and all others were new to the sport. Further many players of the local teams were commoners. The rulers always performed better in first half and lost in the second half. In all the three films the game was turned around by the star figure. Further, all the three films were made after the rulers had left the respective country or have been defeated.

### **DIFFERENTIAL TREATMENT AS PER TARGET MARKET**

As mentioned above each film was originally intended to cater to a different segment of customers (audience of different country). From the story of each film it becomes obvious that each film was developed **by the marketer (Director, Story writer)**, by keeping in mind the issues that are important to the target audience as well as the entertainment concepts or the personalities that are popular with the target audience for whom the respective film was considered.

The major differences between these films are the back drop of the story, the category of opponent teams, style of presentation, the star cast and basic things like language of the film. The factors which augmented the differentiation were end of the match and the end of the film.

The back drop of Two Half Times as well as of Victory was of Second World War. The difference was that during that period Hungarians were ruled by the Nazi's which was not the case with Britishers or with Americans. But the soldiers of both the countries had fought against the Germans successfully. Hence in Hungarian film the opponent team consisted civilian Hungarian prisoners whereas in Victory the opponent team members were Prisoners of War. The story of Lagan was set in the period of India's Colonial British Rule and the opponent team was made of Indian peasants. The presence of Maharaja, British officers, the personalities of the actors who were chosen as villagers, their getups and drapery gave a unique believable identity to the film and to the story of Lagan.

The actors in the Hungarian film were all Hungarians. 'Victory' was made as a commercial film, intended to be exhibited globally targeting English speaking population, like India. The cast of the film consisted of popular Hollywood actor like Sylvester Stallone along with quite a few famous football players from various countries including the famous Brazilian player Pele and the film had a scene where his famous bicycle kick is shown. Although 'Lagan' had Indian as well as European actors the lead role was played by popular Indian actor Aamir Khan.

Lagan had the most popular sport of India that is Cricket, whereas in other two films the sport was football. The Hungarian film was a black and white film narrating a story with linear pattern. It did not have any sub plot.

In keeping with Bollywood film tradition, 'Lagan' had a love triangle, songs, dance and a mother figure.

### **THE HIGH POINTS OF THE FILM**

In Victory and Lagan it was a match played to win, either to show the fighting spirit or for survival. In these two films the conclusive goal or score was made by the star figure. Like other two films, the game in Two Half Times conclusive score (goal) was made by the star figure, but it was made against the advice of fellow players or well wishers. The thought behind the goal(as deducted) appeared was that 'Anyhow, once the match is over we shall be put down then let me show them our metal'.

Two Half Times ended with massacre of the Hungarian team; thus touching raw nerve of the chosen audience. In Victory at the end, all the players were helped to escape successfully by the spectators. This reflects democratic belief and touches the pride point of Americans.

Unlike the other two films the end of Lagan was traditional. The game ended with the final battle between hero (Amir Khan) and the villain (The British Officer-Paul Blackthorne) Like the Ram Ravan battle in Ramayan. The film ended with a clichéd-'Then they lived happily ever after'.

If a product is developed for a target audience with consideration of their emotional requirements the product is bound to become successful. All the three films were positioned as patriotic films. The Victory and Lagan had a 'typical entertainment' factor; whereas Two Half Times had 'serious entertainment' which made it a classic film. Victory became one of the most popular film of the year. Lagan won the Film Fare Award, it was also nominated for the Oscar Award, Two Half Times won Critics Award at Boston Cinema Festival 1962 and is considered as one of the world classics.

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# BOOK REVIEW

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*Reader and Head,*

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**Book Title: Merchants' Philanthropy**

*Author*

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*Publishers*

**Centre of Advanced Philanthropy**

**M.G. Road, Mumbai-400001**

**Price: Rs. 150/-**

## **ABOUT NOSHIR H. DADRAWALA**

Noshir H. Dadrawala is Executive Secretary of the Centre for Advancement of Philanthropy. He handles the edit work of 'Philanthropy' the Journal of the Centre for the Advancement of Philanthropy and is also involved as Regional Contributing Editor of the International Journal on Non-profit Law. His international affiliations include being a fellow of the centre for the study of philanthropy (1990) which is affiliated to the Graduate School and University Centre of the City University of New York and serving as a member of the Governing council of the Asia Pacific Philanthropy Consortium.

## **RAISON D'ÊTRE OF THE LEADING LIGHTS**

Section A of the book includes 3 chapters written by Noshir Dadrawala who explains the concepts of 'Corporate Social Responsibility and the joy of corporate giving'. Mere giving of funds does not mean the discharge of social obligation; corporate entities can establish meaningful partnerships with voluntary organizations in several non-financial ways. From the eco-social perspective, corporate social Responsibility is both a value and a strategy to ensure the sustainability of business. A successful business vision sorely requires social vision as well. Besides earning profits, altruistic goals of companies can be achieved by focusing those areas where there is a major societal concern. Introducing value-added products may swell the coffers of companies but a commitment to social engagements is a must to earn good corporate citizenship image.

Section B of the book is the scintillating presentation of out of the box thinking of the crème de la crème of the Indian industries. In this segment, Mr. Anand Mahindra (M & M), Mr. Azim Premji (Wipro), Mr. D.R. B.R Barwale (Mahyco), Mr. Darius M. Forbes (Forbes Marshall), Mr. Deepak Parekh (HSDFC), Mr. J.N. Godrej (Godrej group), Mr. Mukesh Ambani (Relaince), Mr. Narotam S. Sakhsaria (Gujrat Ambuja), and Mr. Ratan N. Tata (Tata group) have put on record their views on corporate philosophy. Each one of them has unequivocally emphasized on the corporate role in caring, sharing and nursing the society on whose shoulders the prosperity of industries rest. The numerous ways in which even the minuscule of surpluses of business can be utilized for betterment of society are pointed out by these luminaries who have demonstrated their granite will to bring human ace to the world of commerce.

### **BENEVOLENCE PERSONIFIED**

The views expressed by the icons of the Indian Industry are, truly speaking, the pearls of wisdom. These views appear to be sermons given by modern saints dealing in material matters day in and day out. However, these are not just the words, they are the actions that galvanized the nation. Let's take a close look at the noble thinking of these stalwarts.

### **ANAND MAHINDRA**

'Good Corporate Citizenship involves seeking long term success that is in alignment with India's needs and to do this without compromising ethical business practices.

'A literate populace is more productive and raises GNP through value-added output.' 'Education is an essential pressure-release valve. For us at Mahindra, education is a legacy and investing our corporate resources in education is at the core of our family values.'

### **AZIM PREMIJ**

'Being ethical is a business tool that gives structure to a company's functioning and brings in more business in the long run.'

'We have had no problem with practicing the value of integrity. Because WIPRO has a reputation of being transparent in every respect, we have saved time and effort in conducting business transactions and WIPRO employees have been able to stand public scrutiny and maintain self-esteem under all eventualities.'

‘The change that is coming now is in two ways: companies are looking at social responsibility beyond the simple definition and desiring to contribute to key issues that are impacting social, community and therefore the country’s development. Hence issues related to health care, education, women’s welfare and ecology are on top of most forward thinking companies’ agenda. The second change coming in is that a company’s social responsibility is not philanthropy or charity. Today, companies participating actively in social responsibility are looking to solve a problem, be a part of the solution to the problem and be able to measure the difference their initiative is making in their chosen area of social responsibility.’

‘Only companies that live with respect and empathy for the society can be around for the next 100 years.’

‘We believe that our work has to be based on the fundamental principles on which any organization delivers results. And these fundamentals are passion, integrity of purpose, process orientation, quality orientation and, above all, result orientation.’

### **B.R. BARWALE**

‘Industry should be an equal partner with the Government and voluntary organizations in the development of the country.’

### **DARIUS M. FORBES**

‘Industrial growth brings in its wake various social problems and it is the moral and social duty of the corporate sector to address them.’

‘We are not doing anyone a favour. And it is not charity either. It is our social obligation. We are simply giving back to society what we gained from them. It is a process of harmonious living with our neighbours.’

### **DEEPAK PAREKH**

‘Today, companies owe responsibilities to not just shareholders but all stakeholders. Shareholders are only one constituent of the stakeholders. Society at large is also an important stakeholder. The corporate sector must remain sensitive to the aspirations and needs of all stakeholders.’

### **J.N. GODREJ**

‘If the public perception about the company is good that it is an ethical company that cares and shares—the consumer’s predisposition will be much better.’

‘A company could contribute not just in terms of finance, but also in terms of time and the personal involvement of its human resources. Getting involved in making a difference in the lives of people around us can be very stimulating and satisfying.’

### **MUKESH AMBANI**

‘Economic prosperity, environmental quality and social equity have become integral to business society interface in the New world order Responsible companies now press went triple bottom liens in their annual reports-financial, environmental and social.’

‘Business cannot thrive if it remains insensitive to the needs of the society. An island of prosperity is unsustainable in an ocean of poverty.’

‘Philanthropy was the cornerstone of the Old World while sustainable development, human dignity and business ethics is the philosophy of the New World. In the Old world, kindness manifested itself as charity while in the new world, empowerment is the enlightened approach.’

‘In the New world, partnership is the cornerstone of business ethos. Social partnership should become a way of life.’

### **NAROTAM S. SEKHSARIA**

‘A company and the environment in which it operates are mutually dependent O each other. One cannot thrive at the expense of the other.’

‘Any meaningful relief measure (in case of calamities) would have to help people rebuild their lives and not just their houses.’

### **RATAN TATA**

‘The purpose of private wealth is the advancement of the public wealth.’

‘Every corporate leader should self-impose a framework of ethics, values, fairness and objectivity on oneself at all times.’

‘We are not doing the welfare activities for propoaganda or visibility. We are doing it for the satisfaction of knowing that we have really achieved and given something to the community in which we are working. We are doing it because we really wish to do it by choice.’

### **WORTH TREASURING!**

‘Philanthropy is not taught. It has to be caught’ (Russi M. Lala) ‘Satisfaction-that expression one sees on the face of the person whose life one may have touched, is the true benefit one derives. By caring for its neighbourhood, a company earns the respect, confidence, goodwill, and support of the local community’ (Forbes)

*'Those who enjoy what they do, never tire of what they do'.*

**—Deepak Parekh**

## **SUMMING UP**

'Merchants of Philanthropy' is a unique book which encompasses the profiles of eminent business leaders in India. Of late, the development of the Indian industries also saw these barons as agents of social change, thanks to their philanthropic attitude which culminated both in words and deeds. Corporate Social Responsibility or Corporate citizenship is the foundation that provides a sturdy support to viability and profitability of business concerns, but more importantly, community development at the behest of business entities is the most vital gain of this base. When a company takes care of the protection and sustainability of environment and stands upright in improving the quality of life of the people, philanthropy becomes a practice.

The first section of the book provides the backdrop, outlining the various social and developmental challenges and contours of good business. The second section profiles the CSR programmes of the leading companies. It's indeed an enlightening experience to learn what lies in the heart of their hearts while understanding the inner voice of Anand Mahindra, Azim Premji, Deepak Parekh, J Godrej, Ratantata, Mukesh Ambani, *et al.* Mr. Noshir Dadrawala has pooled the dreams, aspirations and wisdom of leading Indian industrial magnates with a view to inspire and ignite all those who would learn, earn and never forget to return.

The book is a compact presentation of timeless ideologies preached and practiced by the mandarins of some key Indian industries. The photographs of these wonderful personalities would have added more pleasure to the readers.

## **COMMENTS**

The book 'Merchants of Philanthropy' gives immense pleasure and satisfaction while reading the views of some distinguished industrial captains from India who have never lost the sight of their social obligations. What is more heartening is to see that these forward looking industrial chieftains look at social responsibility not as philanthropy or charity. It's their way of life to create a culture of giving and producing results which in turn will further goad businesses into more meaningful activities. Isn't it an angelic living?

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## **REFERENCES**

- [1] References should be cited in the style prescribed in the Publication Manual of the American Psychological Association (APA). The references should be listed at the end of the article as per examples given below:
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