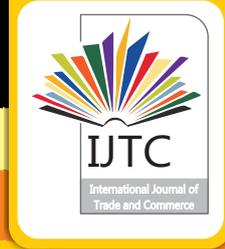


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## EDITORIAL

I feel immense pleasure in presenting the Vol. I. Issue II of International Journal of Trade and Commerce-IIARTC - A Journal of Social Science and Humanities. The basic aim of this Journal is both to sharpen the intellectual field of research and to present fruitful and relevant material of common interest and concern.

It provides a basic platform to the new, bonafide and genuine researches in the field of Commerce, Economics, Law, Management and Trade. Research Papers, Articles, Case-studies, Discussions, Opinions, Commentary, Book Reviews and Biographies of the legends of bonafide and genuine nature are given place in the journal. It was found that the researchers in the aforesaid fields were not having a suitable platform to put forward their thoughts and interact with experts in the relative fields. This Journal gives them opportunities to communicate their views to a broad listeners' group. It also throws the light on the contemporary issues of global interests.

We invite theoretical and applied research papers concerning areas including global, regional, business/trade, commerce, primary and secondary market issues, business ethics, corporate governance, social aspects and international trade, H.R.M.& Personnel Management, Marketing, Finance, Accounting Aspects, ISO, Quality Management, Time Management, etc.. We aspire for your valuable comments and suggestions in order to improve the journal. We are hopeful that our humble efforts and your kind cooperation will make this journal a successful endeavor.

We express our sincere gratitude to all the eminent authors who have sent their research papers or given their consent to join in the advisory board or penal of referee or made their valuable contribution to the Journal in any respect.

We hope International Journal of Trade and Commerce-IIARTC will receive its due response. We again invite your research paper, book review, contribution and expression of all shade of opinions.

Meerut, INDIA

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## The Mauritius Apparel Manufacturing Industry: Explorations of the Past to the Present

Jacqueline Robeck<sup>a\*</sup>, Satyadev Rosunee<sup>b</sup>, Jessica Pattison<sup>c</sup>

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### Abstract

*This study examines the history and major changes of the Mauritius textile and clothing industries. Development of the small island, its culture, and resources are explored as they relate to the textile and apparel manufacturing industry. The paper compares and contrasts the conditions under which Mauritius developed its industry, current status and challenges and future strategies. The short history of the Mauritius textile and clothing industry is impacted by world events as well as singular activities particular to the island and its mixed society. Five interviews were conducted of senior level personnel in leading textile and apparel firms, government positions and export associations over a four month period of time in 2011 in the country of Mauritius. The nation faces a decline in apparel production and exportation and has developed strategies, such as marketing themselves as eco-friendly manufacturers and contractors to gain better positioning in the global textile and clothing market.*

**Keywords:** Textile and Apparel, Multi-Fiber Agreement, EPZ Companies, Southern African Development Community.

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## 1. INTRODUCTION

Almost every country in the world depends on the textile and apparel sectors as important contributors to their economy. Textile and apparel are leaders in industrialization and trade in nearly all parts of the world (Dickerson, 2003). The textile and apparel industries are the world's largest source of industrial employment (Dickerson, 1999).

As countries' economies grow and intertwine, they create a world system of international economies known as globalization. Globalization is the integration of markets, nation-states and technologies (Friedman, 2000). The growing interdependence of the world's people is a process integrating not just the economy but additionally culture, technology and governance.

In the globalization of the textile-apparel-retail complex there occurs patterns of growth and migration within one or more countries and across countries. Textile and apparel (T & A) growth migrated from Europe to the United States, and then to countries in Asia (Dicken, 2003). Within a country the pattern or development of T & A is known to have a life cycle of birth, maturity, and decline (Toyne *et al.* 1984). Countries understanding their timeline in the T & A life cycle are better able to direct their activities to affect favorable outcomes in their markets. Understanding when, why, and how an industry began forms a proven, solid, historical base helping to form industry decisions and future strategies.

This research study investigates the relatively short history of the Mauritius T & A industry. The acronym "T & A" in this paper is generically used to refer to the manufacturers of fiber, fabrics, and clothing products. The objectives of this study are to (a) understand the natural and cultural events that impacted the T & A industry in Mauritius, (b) examine the inception of the T & A industry and the development of that industry for four decades, (c) understand the current situation of the industry, (d) explore possible strategies for future competitive advantages.

The Mauritian T & A complex is a unique industry of study because of its short history of 40 years, its size and geographic location. The country of 800 square miles (2,000 square kilometers) is located 500 miles east of the large island of Madagascar in the Indian Ocean. Population is 1.3 million people comprised of Hindu (51%), Creoles (African or Malagasy descent-23%), Muslim (17%), Chinese (5%), Mixed (3%) and Christians (1%). Mauritius has one of the highest per capita Gross Domestic Product (GDP) of US\$9,496 in Africa. Textiles and clothing is the country's primary export (<http://travel.state.gov>, 2012). The globalization of apparel manufacturing, the impact of fast communication, advanced technology and changes in import/export regulations have all been experienced on the island of Mauritius.

## 2. RELEVANT LITERATURE

Researchers of the global T & A industries have attempted to describe past events and characteristics to better predict future activities. Much has been written of the industry in Europe, the United States, and Asia. The goal of industry evolution is to predict the next phase in the cycle to make decisions favorable to success (Ha-Brookshire and Lee, 2010). Events within a country impact the evolution of the industry, but equally important are global events that have a profound affect on a country's industry.

Generally, the number of firms in the industry increases when the industry is new (Abernathy and Utterback, 1978). Countries in the early stages of economic development usually have the comparative advantage of low labor aiding the growth of the industry. As the number of firms

increases the output, prices, and market shares change (Klepper and Graddy, 1990). Internal resources, such as the level of employee knowledge, their competencies and learning abilities as well as external resources, such as supporting universities, research tanks, government, and financial institutions affect life cycle success (Cohen and Levinthal, 1989).

Trade quotas and tariffs have also impacted the T & A industries. Of singular significance was the Multi-Fiber Agreement (MFA), established in 1973, which set up an elaborate system of quotas organized by product and country. In practice, the agreement limited exports of textiles and apparel from developing countries. The dismantling of the MFA in 2005 threatened manufacturers who previously enjoyed privileged access to the European and North American markets by putting them in direct competition with highly competitive exporters from Asia (Cammett, 2007).

Domestic firms exhibit higher commitments of acquiring and absorbing innovative technological capabilities via supply linkages when faced with market survival in world trade deregulation. Domestic firms also developed local technologies to survive discontinuation of preferential trade agreements (Peerally and Cantwell, 2011).

Countries have established export processing zones to aid in developing, distributing and competitively manufacturing goods for export. Export zones can be domestic, foreign or joint venture, public or private, and specialize in manufacturing for export. They provide countries with foreign exchange earnings by promoting non-traditional exports and allow duty-free imports of raw and intermediate goods

### **3. METHOD OF RESEARCH STUDY, SAMPLE AND DATA COLLECTION**

A primary goal of this research study was to gain a better understanding of the T & A industry in Mauritius as little research had been conducted previously. With nothing written down about an industry in narrative format it is more difficult to form strategies of competitiveness for global success. Mass media, government reports, and speculation provide information on an industry, but people immersed in the T & A industry can bring specific data and focus on the industry's development.

This study collected, organized, and analyzed data from personal interviews following a process of inductive logic research (Creswell, 2003). Interpretive analysis provides an appropriate and timely method by obtaining a deeper understanding of transitioning industries via personal experience, texts, and narratives (Ha-Brookshire and Dyer, 2008).

Five key leaders were individually interviewed in Mauritius over a period of four months in 2011. The individuals were involved and committed to the T & A industry in Mauritius as "founding fathers," government officials, high level managers, or firm presidents. The in-depth interviews ranged from one to three hours in length.

Broad questions were asked of each expert to commence, lead, and further the interview. Examples of questions asked were: What influenced and impacted the T & A industry? What were the primary products? Where did the supplies and linkages come from? What global changes affected the industry? What do you believe the future of the Mauritius T & A industry to be?

Interpretative analysis based on philosophical hermeneutics has been applied throughout this research taking on the position of Martin Heidegger (1989-1976) and Hans-Georg Gadamer

(1900-2002) who proposed that human experience is realized through language and this dialog seeks to discover meaning and structures through a person's life experiences (Hultgren, 1989). The data collected was culled and fused with collaborative interviewee comments and published written data. The following narrative is the resulting story of the Mauritius Textile and Apparel Industry and its competitive future.

#### **4. HISTORY OF THE MAURITIUS APPAREL/TEXTILE INDUSTRY**

##### **4.1. Background of the Country of Mauritius**

The Arabs, Malays and Phoenicians knew of the island of Mauritius in the Indian Ocean as a safe port on their sailing routes since the 10<sup>th</sup> century. The island was a natural stop in the Spice Route. The Dutch were the first settlers in Mauritius and occupied the island in the 17<sup>th</sup> century bringing in slaves from Madagascar and convicts from Java to work in the newly introduced sugar cane fields (Wright, 1974).

The French East India Company claimed the island for France in 1715 and sold the island to the French government in 1767. Mauritius' sugar production increased with slaves brought in from East Africa and fostered by Governor Mahé de LaBourdonnais.

The French culture and customs remained after the British amicably took over the island in 1810. In 1835, when slavery was abolished, freed slaves refused to work in the cane fields and the government brought indentured labor from China and India. This change of culture and population became the base of the textile-apparel industry on the island, as they brought their basic skills of sewing (Wright, 1974).

Mauritian society was formed unofficially with wealthy English or French at the tip of the social apex, followed by poorer whites, light skinned Creole (those people of dark African skin color genetically blended with white skin colored people), darker skinned Creole, Chinese, darkest African looking Creoles, and at the lowest level the Indians. The social hierarchy was related to wealth and job status (Lim Fat, 2010).

In the early 1960s a devastating cyclone destroyed much of the island and James Meade, Economics professor from Cambridge, was consulted for economic advice since 97 per cent of the economy was dependent on sugar exports and there were employment concerns. Due to Meade's recommendations there was fast development of limited local market imports such as soap, tea, fish, and clothing in the mid 1960s (Mohit, 2011). The University of Mauritius was founded in 1965 supporting the agriculture, administration and industrial technology faculties. Courses offered were in engineering and technological subjects. Many students were sponsored by local industries leading to trained manpower.

In 1968 Mauritius attained independence, became a member of the British Commonwealth, and Mauritius' social hierarchy began to change. With the new constitution all people born in Mauritius were full fledged citizens. Much emigration occurred in the late 1960s; many whites left for economic reasons and personal concerns regarding governance by dark skinned Indians; richer Creole civil servants left as they feared discrimination. The Chinese in Mauritius prompted by their loyalty to their new country, their European education, and the political and societal changes in China and World War II began buying homes and businesses in the country. They no

longer wished to return to China, having found a pleasant economy for their garment and food products. A harmonious and prosperous nation persevered (**Lim Fat, 2010**).

#### **4.2. 1970: The Beginning of Mauritius Textile and Apparel Industry, A Decade of Growth**

Sir Edouard Lim Fat, of Chinese descent, born in Bon Accueil, Mauritius in 1921, educated at Imperial College, United Kingdom in chemical engineering, senior civil servant in Mauritius, entrepreneur, and professor at the University of Mauritius is generally acknowledged as creator of the Mauritius Export Processing Zone (EPZ) in 1970 (**Lim Fat, 2010; Mohit, 2011; Tang, 2011; Wong, 2011**). He modeled the structure after studying EPZs in Singapore, Hong Kong, Malaysia, Taiwan, among others. There were similarities among these destinations with regards to circumstance, background and geography. One significant difference from other countries' "fenced" export processing zones was that the entire island of Mauritius would be within the EPZ, an unfenced free zone, bounded by the Indian Ocean. The Mauritius EPZ was based on manufacturing for exports only. EPZ businesses would: 1) have no taxes for the first 10 years, and would then pay 15% on dividends; 2) have no applicable custom duties, enjoying duty free imports of raw materials and equipment; 3) have no customs controls; 4) pay rent only on tax free factories and buildings built by the Mauritius government and developed by the Bank of Mauritius. Five factories were in the EPZ within the first few months, with over 500 employees.

An additional incentive to join the EPZ was that 10% dividends would be paid to shareholders. The original and majority of the textile/apparel stakeholders were from Hong Kong. Mauritius' EPZ was a good nearby location country for a number of reasons: 1) Arson in Hong Kong factories was prevalent in the 1960s; 2) Military clashes in China and Taiwan were experienced; 3) Hong Kong families and firms had been forced out of Shanghai, leaving all possessions behind, when the Communists invaded in 1949; 4) Hong Kong had an established garment industry complete with equipment, technicians, and marketing strategies (**Lim Fat, 2010**).

There was a fear of "no security" left for Hong Kong businesses with the impending reversion of Hong Kong to China in 1997. Business owners in China were concerned what to do before this happened; they didn't want to again experience financial losses from a government change as they did in 1949. They wanted to protect their investments made thus far and were worried when they became under Chinese domain if they could hold on to their financial earnings (**Lim Fat, 2010; Mohit, 2011; Tang, 2011**).

Many Hong Kong textile industry people came to Mauritius and brought apparel and textile machinery with them. Mauritius had the labor and women preferred the factory work over working outside on the sugar plantations; the factory work day was only 8 hours compared to sugar plantation work which was 12 hours per day; factory work paid 3-5 rupees per day; sugar plantation work paid 2-2.5 rupees per day. These ideal situations influenced other Hong Kong firms to locate in Mauritius (**Lim Fat, 2010**).

In 1973 five (23%) of the twenty two companies under the Mauritius EPZ umbrella were textile-apparel companies: 1) Vettex Limited [garments]; 2) Floreal Knitwear [garments]; 3) Textiles Industries Limited [garments]; 4) Compagnie Mauricienne Commerciale (CMT) [garments]; 5) Orkay Synthetics [fiber processing]. This early period of growth was in alignment with a period of political and social stability, availability of capital, previous sugar capital transferred to EPZ ventures, enthusiasm and faith locally and abroad (**Lim Fat, 2010**). The very active T & A

companies were knitwear companies formed from the French-Hong Kong- Mauritius liaison formed in Paris at the exhibitions (**Mohit, 2011; Wong, 2011**). 1973 also marked the year of the inception of the MFA.

The first half of the 1970 decade was one of fast development for Mauritius export companies. The latter 1970's forced firms to acknowledge world finances, the oil crisis, Mauritius labor, services, the need for public transportation connecting rural to urban, and political and economic uncertainty (**Lim Fat, 2011; Mohit, 2011**). No growth was realized in the apparel/textile industry, among others. Mauritius received help from the International Monetary Fund and devalued the Mauritian currency (rupee) first by 30% and a second time by 20%. In 1975 the Mauritius Export Development Authority, under the Ministry of Industry, with representatives in England, France and India helped to export Mauritian products (**Lim Fat, 2010; Mohit, 2011; Wong, 2011**). Mauritius and benefitted by the Lomé convention (signed in 1975 in Lomé, Togo) that provided added advantages to ACP (African, Caribbean, Pacific) countries (via the Georgetown Agreement of 1975), stating that it be given preferential access to European markets. No duty would be paid if Mauritian goods were going to Europe. This duty-free preferential agreement impacted the attraction of foreign investors to Mauritius (**Peerally and Cantwell, 2011**).

In 1976 the Mauritius Export Zone Association (MEPZA, changed in 2006 to MEXA) was formed and led by Mr. Lim Fat. MEXA would be the facilitator linking Mauritius EPZ enterprises with government to economically advance the country in the global market (**Lim Fat, 2010; Mohit, 2011; Tang, 2011; Wong, 2011**).

Danielle Wong was living in France and attended exhibitions promoting the Mauritius EPZ. She and her brother, a secretary to the Mauritius Embassy in France, were both Mauritius citizens. Textile producers from Hong Kong also attended the exhibition in Paris looking for alternative places to live and work, as they were concerned about the future of their businesses in Hong Kong as soon it would no longer be under British control. Due to her knowledge of textiles, law, key players in Hong Kong, France, and Mauritius she was hired by MEXA in 1978, became Secretary in 1980 and has directed MEXA continuously and presently (**Wong, 2011**).

#### **4.3. 1980: A Decade of Expansion**

In 1980 there were 100 enterprises in the EPZ expanding to nearly 600 by the end of the decade. Many factors and situations contributed to this high growth.

When Hong Kong firms realized that they could retain their assets in China, many left Mauritius, leaving behind their equipment and the trained Mauritians. Local Mauritian investors took advantage of this situation and many from the sugar industry provided capital for the continuation of, or the formation of new textile and clothing firms. A civil war in Sri Lanka, where textile/apparel production had been increasing, shifted more production to Mauritius (**Lim Fat, 2010**).

In 1987 EPZ companies were allowed to sell their products in the local market with a small tax. The government reduced the 70% tax structure to 35% which promoted the development of more businesses by Mauritians. Forty five percent of the EPZ equity capital was from Hong Kong, 44% from Mauritius, 6% from France, with the remaining 5% from Germany, India, U.S., Singapore and Switzerland. The smallness of the government executive committee boosted the development

of the EPZ; decisions and implementation could be made quickly creating an advantageous situation for exports (**Wong, 2011**).

#### **4.4. 1990: A Decade of Change**

In 1994 the Common Market for Eastern and Southern Africa group (COMESA) which included Mauritius was signed as one of five Economic Partnership Agreement groups (EPA) providing special trade arrangements for goods between COMESA countries and the European Union (EU). In 1995 Lomé IV gave Mauritius special attention in its trade arrangements, aiding exports.

Many of the Hong Kong investors relocated their businesses to Viet Nam and China because production costs and labor were lower. More local investors brought their capital from the sugar boom to the textile/apparel arena. Mauritians had gained experience and time from their Hong Kong guidance and the T & A factories survived because of their automation and production of higher quality garments.

Almost unique in the world, Mauritius reach full employment and the EPZ faced labor shortage. The Mauritius textiles and clothing industry experienced an employment peak in 1999 and outsourced to nearby Madagascar, where labor was cheaper. Factory laborers shifted to the newly formed tourism industry preferring the work of cleaning and waiting in relaxed and enjoyable accommodations and garnering generous tips. Laborers in the apparel/textile area were brought in from Sri Lanka, India and China. The decade ended with 500 EPZ firms; 58% were T & A firms. There was speculation that Mauritius' exports were too heavy with T & A industries (**Wong, 2011**).

#### **4.5. 2000: A Decade of Challenges**

The first years of the new millennium brought many challenges to the Mauritian textile and apparel industry. Quota privileges and duty free entry of Mauritian goods were phased out with the end of the Lomé agreement, but was replaced with the COTONOU Agreement (signed in Cotonou, Benin in 2000); the agreement continued a trade benefits package between ACP countries and the EU.

The African Growth and Opportunity Act (AGOA) signed in 2000 offered tangible incentives for African countries to continue their efforts to open their economies and build free markets. It allowed duty free garments to the United States if made from local African or United States yarns or origination from U.S. or Africa. However, Mauritius was excluded from this agreement until 2006. AGOA promotes organic products, but a lot of water consumption is needed for organic products and Mauritius is promoting their ability to be eco friendly in the world marketplace (**Wong, 2011**). The Southern African Development Community (SADC) signed in 2000 stated that those member countries (included Mauritius) would operate as a free trade area.

Problems encountered in the T & A sector were addressed. Sea freight was very high; departing planes were full, but empty coming back; the cost of doing business was too high even though clothing is light weight and less expensive to ship. Arrangements were made to air freight garments to France and bring back French goods to Mauritius, avoiding empty planes (**Wong, 2011**).

In 2003 much of Mauritius' apparel production moved to Madagascar because labor became too expensive in Mauritius. All of Hong Kong left and gave their facilities to Mauritians (**Lim Fat, 2010; Mohit, 2011; Tang, 2011; Wong, 2011**).

Mauritius manufacturers were used to the protection of trade agreements and continued to make products as always. The items became stagnant and inferior. If exporting in free trade areas, then there is competition and the product becomes better quality (**Wong, 2011**).

Mauritius immediately felt the impact with the dissolution of the MFA in 2005. Mauritius' "cut-make-trim" contracts went to China, India and Vietnam. Mauritius' exports to the U.S. decreased 49% from 2004 to 2007. T & A contractors were becoming involved in alternative strategies such as eco friendliness, carbon foot printing, and increasing equipment and system technologies (**Tang, 2011; Wong, 2011**).

The world recession of 2008 impacted Mauritius and the EPZ was boosted with a one billion Mauritian rupees grant and successive reduction of interest rates prompting stabilization. The decade ended with 400 firms in the EPZ; 47% were T & A firms (**Lim Fat, 2010**).

#### **4.6. Current Status**

Two U.S. government agencies, USAID and COMPETE financed Origin Africa in 2011. It is an ongoing campaign and initiative dedicated to improving African trade. The organization is comprised of producers, designers, small businesses, exporters, buyers and retailers working to develop, guide and promote textiles/apparel and complementary products from Africa. Origin Africa held its first world conference in Mauritius in 2011.

The majority of MEXA's official 78 member enterprises are Mauritian-owned; fifty-seven per cent are textile and clothing firms. Sixty seven per cent of Mauritius export currency is from textiles and apparel; the industry accounts for 77% national employment. The United Kingdom comprises 30% of Mauritius' exports, followed by France [18%] and the United States [14%] (Wong, 2011).

As of May 2012 there are now 354 firms in Mauritius' EPZ, now referred to as EOE (Export Oriented Enterprises). The EOE is comprised of all enterprises operating with an EPZ certificate and those enterprises manufacturing foods for exports and holding a registration issued by the Mauritius Board of Investment. Forty eight percent (170) of EOE firms are textile and clothing firms and 61% of EOE exports come from those firms.

The T & A industry continues to contribute to Mauritian economy. T & A accounts for 5% of the GDP, 8% of total employment and accounts for 50% of total domestic exports. The major garments produced are t-shirts, pullovers, men's shirts and trousers which account for 90% of the total textile and clothing exports. The four major countries for exports are the United Kingdom (32%), U.S. (17%), South Africa (16%) and France (16%) (www.gov.mu, 2012).

### **5. RESULTS AND DISCUSSION**

The first objective of this study was to understand the natural and cultural events that impacted the T & A industry in Mauritius. Mauritius was favorably positioned in the Indian Ocean for import and export by virtue of established trading routes. The country was dependent on the one source of sugar cane until the 1960s. To produce manpower for the sugar cane industry many Asians were brought to the country.

In the late 1960s Great Britain financially endowed Mauritius to venture in the production of alternative goods to sugar cane (**Mohit, 2011**). Simultaneously, there were Hong Kong investors that needed to ensure their assets safely in another country; there were French textile investors that met with the Chinese in Europe; there was Mauritius independence with government vision and leadership, a labor pool, and the formation of an EPZ. All was in place for the embryonic stage of T & A development. Literature supports the findings of this first objective of labor availability in the developing country of Mauritius and economic shifting of production to Mauritius (**Dickerson, 1999; Kilduff, 2006**).

The second objective of this study was to examine the inception of the T & A industry and the development of that industry for four decades. The number of firms in the industry grew immensely in the decades of 1970 and 1980. In 1990 the EPZ had the greatest number of enterprises in its history (568) with T & A firms comprising over 80%. Literature supports the findings of this second objective which was growth of expanded apparel production and exports during the embryonic stage (**Toyne, et al., 1984**).

After three decades of development Mauritius' T & A industry was still strong contributing 45% of the nation's manufacturing and 10% of the GDP. Growth had slowed some, but was still averaging 6 % per year (**Lim Fat, 2010**).

The fourth decade in Mauritius' T & A industry growth was challenging due to world economic reasons, cost of Mauritius labor, and the change of trade agreements. Like many other countries in the world concessions were made as China took the lead in T & A world exports.

The third objective of this study was to understand the current situation of the industry. Initiatives are in place coming from the U.S., Europe, and Africa to aid Mauritius in their apparel manufacturing.

A final objective of this study was to explore possible strategies for future competitive advantages **Shen's study (2008)** showed that trade restraints were not the main problem for many Chinese textile and clothing companies; they had faced similar problems for decades and developed newer strategies such as concentrating more on quality rather than quantity and brand development. The elimination of preferences compelled Mauritius enterprises to modernize, upgrade to higher value added products and move into the upper segments of the market in order to remain competitive (**Kilduff, 2006**).

**Zhang's research (2008)** concluded that quota removal is a most important factor influencing strategic decisions. The larger companies have also undergone a process of restructuring through vertical integration. The sector has evolved from lower to intermediary and higher market segments. Many companies are adopting good governance, eco- friendly production processes, fair trade and social compliance (**Kilduff, 2006**).

Inflexibility is a persistent and deep rooted problem in the U.S. textile and apparel industries. Determining factors to promote flexibility could return production to firms (Kim and Rucker, 2005). Mauritius firms consider themselves to be flexible (**Lim Fat, 2010; Mohit, 2011; Tang, 2011; Wong, 2011; Domun, 2012; Ittoo, 2011**).

## 6. CONCLUSIONS

The future of the Mauritian textile and apparel industry is dependent on a number of factors: 1) Labor and Productivity, 2) Marketing Strategies, 3) Trade Agreements, and 4) Agility.

The cost of labor in Mauritius is higher than in many other third world countries and the laborers do not want to work in a “24/7” environment or overtime. Absenteeism is high around 10% and workers are not motivated. Turnover can be as high as 40% (Mohit, 2011). All youth who desire a college education are aided and supported by the government in obtaining that education. Factory work is less desirable to college educated people and is less favorable than working in other service oriented industries (Lim Fat, 2010). With low unemployment of 1%, Mauritius may again have to seek foreign labor or seek alternatives to labor costs. Leseure, *et. al.* (2009) states that “catching-up” [with China] is about learning and developing absorptive capacity in the workplace. Mauritius’ past strategies of low labor cost, productivity and low cost service are no longer applicable. The greater need is for consumer orientation, quality service, quality focus and response focus (Ittoo, 2011).

Strategies for production of higher quality garments will advance Mauritius in the global marketplace. Marketing Mauritius’ contractors as “green” and eco-friendly should impact world sourcing of their services.

Peerally and Cantwell (2011) concluded that a developing sub-Saharan African country like Mauritius could be an important source of innovative technological capabilities to domestic and foreign subsidiaries and their learning strategy was a consequence of their need to continue, thrive and expand after preferential trade agreements. Mauritius companies are sustaining competitiveness through state of the art technology and vertical integration.

Ha and Dyer point out that although price matters in T & A production, the consideration of time and quality were more pressing in apparel import intermediaries (Ha-Brookshire and Dyer, 2008). Mauritius has earned the trust of world buyers. Companies are producing high end quality products for niche markets. They are competing on the basis of non- price factors such as creativity in design and ability to meet tight lead time (Domun, 2012).

The Mauritius textile industry intends to fully immerse itself in the EU and the US markets, via AGOA, COMESA, COTONOU, SADC and other Economic Partnership Agreements as these tools provide preferential access to large global markets. Memos of understanding are being developed with South Africa, Madagascar and India (Tang, 2011; Wong, 2011).

Mauritius’ strengths are its small size, agility, responsiveness, and quality and customer-orientation, sustainable and creative. Its textile and clothing manufacture future lies with its ability to make adjustments and advancements.

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## A Study on Employees' Perception on Quality of Work Life and Job Satisfaction in manufacturing organization - an Empirical study

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### Abstract

Quality of Work Life (QWL) is being used these days by organizations as a strategic tool to attract and retain the talent. QWL policies are increasingly becoming part of the business strategies and focus is on the potential of these policies to influence employees "quality of working life and more importantly to help them maintain work-life balance with equal attention on performance and commitment at work. QWL is "The degree to which members of a work organization are able to satisfy important personnel needs through their experience in the organization" The aim of this study is to find out about the employee's perception on their work-life quality. Previous studies indicated that employees' perception on work life quality significantly influenced their job satisfaction. 460 employees were participated in this study. However, only 251 survey questionnaires were returned yielding 54.6% response rate. Ten variables to measure Quality Work Life (QWL) are examined namely support from organization, work-family conflict, relationship with peers, self competence, impact on job, meaningfulness of job, optimism on organizational change, autonomy, access to resources and time control. All these variables are tested the relationship with job satisfaction. The test indicated that each of the QWL variables on its own is a salient predictor of Job Satisfaction. However, 7 QWL variables are no longer significant predictors for job satisfaction when all the 10 QWL variables are entered into the regression equation. Using multiple linear regressions, only 3 QWL variables (meaningfulness of job, optimism on organizational change and autonomy) are significantly related to Job Satisfaction. However, they only explained 28.8% of the variance in Job Satisfaction,  $F(10, 240) = 11.134, p < .05$ .

**Keywords:** Work life, motivation, satisfaction, organizational commitment.

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## **1. INTRODUCTION**

Job satisfaction describes how content is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is a very important attribute which is frequently measured by organizations. The most common way of measurement is the use of rating scales where employees report their reactions to their jobs. Job satisfaction has been defined as a pleasurable emotional state resulting from the appraisal of one's job an affective reaction to one's job and an attitude towards one's job.

As early as 1960's researchers have begun to study and connect the dots between work and family. Numerous works on work life thereafter proves that what happened in the workplace have significant impact on individuals and their families. (**Greenhaus & Beutell (1985); Kossek & Ozeki (1998); Lewis & Cooper (1987)**). The combination of a fluctuating work environment with competing job and family commitments has negatively affected employees in the form of lowered morale and motivation, reduced productivity, and increased burnout and turnover (**Galinsky & Stein (1990), Benedict & Taylor (1995)**). Moreover the inability of employee to balance the equally challenging demands of their work and personal life has contributed to the escalating stress and conflict of today's workforce (**Edwards & Rothbard (2000)**). This in turn leads to significant rise in stress related health problems, which translates to financial cost both to the employer as well as the government (**Johnson et al. (1997), Frone et al. (1997)**).

## **2. OBJECTIVES OF THE STUDY**

The survey was conducted to study whether employees' perceptions towards QWL has any impacts on their job satisfaction. Past research indicated that employees have different perceptions towards their work life quality and this may have an impact on their job satisfaction. Stress in day to day work life is also assessed by looking at employees' personal life aspects as well as occupational related stressors. Specifically, the objectives of the study were first, to see whether the current organizational climate influences employees' perception of job satisfaction; second, to find out the sources of stress among employees in a higher learning institution environment and finally to find out employees level of satisfaction with regard to various job related aspects.

## **3. LITERATURE REVIEW**

### **3.1 Facets of QWL: Organizational Climate**

In this study, QWL is measured using organizational climate facets that have been used in previous researches. It consists of 3 facets namely affective, cognitive and instrumental. Affective facet is measured using two dimensions namely quality of relationships and pessimism about organizational change. Quality of relationships is a critical component of the social relations aspect of climate and has been used in past climate studies. Pessimism about organizational change, as developed by **Wanous et al. (2000)** is another important indicator with regards to the affective climate as cynicism is usually backed by perceptions of ineffective leadership practices. Pessimism about change may be negatively related to job satisfaction because hope in future improvement would be low.

The cognitive climate facet consists of a sense of deriving intrinsic rewards from one's work. The cognitive climate facet is measured in this study through several dimensions of cognitive climate: meaningfulness, competence, self-determination, impact and work- family interference.

Meaningfulness has been described as the “engine” of empowerment (**Spreitzer et al. (1997)**) which gives the feeling that doing something that is worth time and effort and it is worthwhile in the large scheme of things; competence is the confidence feel in ability to do the work well; self-determination is the freedom to choose how to do work; and impact involves the sense that the task is proceeding and that are actually accomplishing something and making a difference in the organization. Together these individual dimensions of cognitive department climate suggest that if employees do not experience these cognitive elements of their work, they may become dissatisfied. Finally the level of work-family interference which describes the extent to which an employee's work demands interfere with family responsibilities is also measured through items developed by (**Gutek et al. (1991)**).

The instrumental climate facet is defined as follows: work processes, structure, and extrinsic rewards (**Schmidt et al. (2003)**). The specific dimensions of instrumental climate selected in this study include: access to resources and time control. Access to resources includes access to work space, funds, support staff, supplies and materials. Time control on the other hand denotes the ability of employees to control the time at work and give priority to what they perceived to be the most important task at hand.

### **3.2 Facets of QWL: Organizational Support**

Besides items relating to organizational climate, the level of support offered by the organization was also measured as an indication of the work-life quality at an institution. Perceived Organizational Support (POS) is defined as the extent to which employees perceive that the organization values their contributions and cares about their well-being. POS is a key factor in influencing employee commitment to the organization, job satisfaction, and general quality of work life. Many researchers have studied the relationship between perceived organizational support and work-life quality of workers and have found it to have a positive impact on organizational commitment, employee performance as well as job satisfaction (**Rhoades & Eisenberger (2002)**; **Dixon & Sagas (2007)**).

### **3.3 Job Satisfaction**

The relationship of job satisfaction with work life quality is another aspect of working life that is often investigated by researchers. Job satisfaction is one of the central variables in work and is seen as an important indicator of working life quality. (**Cohen et al. (2007)**; **Aryee et al. (1999)**). This study utilized instrument developed by **Aryee et al. (1999)**, which contained items to determine the extent to which the employee is satisfied or is enthusiastic about his job. This part of feeling enthusiastic or having sense of enjoyment in one's work is reflective of Herzberg's Hygiene factors in his theory of motivation. (**Herzberg et al. (1967)**; **Herzberg (1968)**).

### **3.4 Quality Work Life (QWL), Job Satisfaction and Stress**

Some of the elements that are relevant in determining an individual's quality of work life would include the task, the physical work environment, social environment within the organization, administrative system and relationship between life on and off the job (**Che Rose et al. (2006)**). A study conducted in Malaysia by **Rose et al. (2006)** further concluded that the most important predictor of QWL is organizational climate, followed by career achievement, career satisfaction and career balance. **Carr et al. (2003)** in their study used **Ostroff's (1993)** taxonomy to organize

dimensions labeled as workplace climate and then used meta-analytic techniques to test a path analytic model. The results suggest that there are 3 higher order facets of climate (affective, cognitive, and instrumental) that affected individual level outcomes of job performance, psychological well-being, and withdrawal through their impact on organizational commitment and job satisfaction.

Employees' source of stress and level of satisfaction regarding several aspect of work are also measured to get a better understanding of the overall QWL in the institution and although these aspects are not work life on their own, perception of quality of work- life is often assessed using job satisfaction and organizational climate surveys (Krueger et al. (2002)). The negative consequences of occupational stress are recognized as major problems for both employees and organizations. For employees, stress frequently contributes to the risk of accidents, burn-out and illnesses like coronary heart disease, hyper-tension and severe depression (Sutherland & Cooper (1988)) For organizations, stress-related problems result in low job satisfaction, poor quality of performance, increased absence from work and high turnover (Montowidlo et al. (1986)).

#### **4. RESEARCH METHODS**

##### **4.1 Data Collection**

All employees (around 460 employees) in the automation manufacturing industry from all levels were asked to participate in the survey. However, only 251 survey questionnaires were returned, yielding a response rate of 54.6%. The sampling method is convenience sampling.

##### **4.2 Research Instruments**

The survey instrument was based on validated measures of work environment and organizational climate but some items were changed or customized to suit the targeted audience in this institution. Most of the scales used in this study has been utilized in other studies before and has been validated by past researches (Wanous et al. (2000); Gutek et al. (1991); Jones & James (1979); Spreitzer (1996); Spreitzer (1997); Callister (2006); Hackman and Oldham (1979)). All the items in the questionnaire are based on a five-point Likert scale ranging from 1= Strongly Disagree to 5= Strongly Agree.

#### **5. THE CONCEPTUAL MODEL**

As expounded earlier in the literature, QWL facets have significant impacts on employees' job satisfaction. Thus, in the present study, 10 QWL variables (work-family interference, quality of relationship, meaningfulness, pessimism about organizational change, self competence, impact, self determination, access to resources, time control and support) were tested the relationships with job satisfaction. Correlations tests and multiple linear regressions were used to examine the relationships.

#### **6. DATA ANALYSIS**

##### **6.1 Demographic Analysis**

A total of 251 employees in the institutions participated in this survey. Majority of the respondents were female staff (59.1%). Sixty five percent were at the younger age group (26 to 35 years old) and most of them (58.6%) have been working in the institution from 4 to 10 years. Largest groups were executives (28%) and non-executives (23.3%). Majority of the respondents (46.4%) possessed

Bachelor degree, 26% with Masters and 19.1% with diploma. Minority was made up of those with doctorate (0.9%) and SPM (5.5%).

### **6.2 Measurement Items**

Seventy items were used to measure the QWL and job satisfaction. A factor analysis was carried out to summarize the structure of the sets of variables. The rotated factor matrix produced 20 columns whereas the intended variables were only 11. The Bartlett test of sphericity is significant and the Kaiser-Meyer-Olkin measure of sampling adequacy is .914 (which is far greater than .6). Out of 20, only 11 variables were interpretable and meaningful. Reliability tests were conducted to measure the Cronbach's alpha and all the (independent and dependent) variables obtained scores ranging from .699 to .923.

### **6.3 Results from Correlations Tests and Linear Regression Tests**

Correlation tests were conducted to examine the individual relationships between the QWL dimensions and job satisfaction. The outputs of the tests were summarized in Table 1 below:

<b>QWL – Job Satisfaction relationships</b>	<b>r and the associated p values*</b>
Support	r =.308, p = .000
Work Family Interference	r =.174, p = .003
Quality of Relationship	r =.303, p =.000
Meaningfulness	r =.367, p = .000
Pessimism about organizational Change	r =.368, p = .000
Self Competence	r =.213, p = .000
Impact	r =.208, p = .000
Self Determination	r =.269, p = .000
Access to Resources	r =.282, p = .000
Time Control	r =.194, p = .001

*\*Correlations are significant at the .01 level (1-tailed)*

The above correlation tests indicated that all the individual QWL variables have Significant impacts on job satisfaction. Another test (using multiple linear regression tests) was run to examine the simultaneous effects of all the QWL variables on job satisfaction. The test output indicated that 7 QWL variables (namely Support, Work Family Interference, Quality of Relationship, Self Competence, Impact, Access to Resources and Time Control) are no longer significant predictors when all the 10 QWL variables are entered into the regression equation. Only 3 QWL variables (Meaningfulness, Pessimism about Organizational Change and Self Determination) are significantly related to Job Satisfaction. However, they only explained 28.8% of the variance in Job Satisfaction,  $F(10, 240) = 11.134, p < .05$ .

### **6.4 Employees' Perceptions on Other Job Related Aspects as Sources of Stress**

Table 2 below summarized the sources of stress and the mean scores. The results showed that the sources of stress that obtained relatively high scores are like child care, discrimination and unproductive committee work. In general, since none of these stressors obtained scores above 3, it is indicative that the respondents did not regard these factors as their major stressors.

**Table 2: Source of Stress (1 - not a source of stress, 2- minimal stress, 3 - moderate stress, 4 - extreme stress, 5 - not applicable)**

<b>Variables</b>	<b>Mean</b>	<b>Standard Deviation</b>
Managing household responsibility	2.4760	1.41755
Child care	2.8480	1.56290
personal health	2.1680	1.18719
Marital or family problem	2.4395	1.98077
Personal financial problem	2.7080	1.09340
Illness or death of family members	2.7280	1.58495
Care of elderly parents	2.4032	2.49670
Discrimination	2.7218	1.45625
Lack of promotion opportunities	2.7880	1.16468
Departmental budget concern	2.8394	1.31611
Work load	2.6480	1.01598
Frequency of meetings	2.5282	1.21362
Unproductive committee work	2.8219	1.29125
Problems with colleagues	2.1084	1.14665
Relationship with superiors	2.1250	1.14730
Institutional procedures	2.8280	1.26682
Relationship with other departments	2.3080	1.30073
Problem with students/clients/outside	2.0600	1.07938
Coping with new technology	1.7460	1.13287
Changes in the organization	2.3680	1.15495

**Employees Perceptions on Other Job Related Aspects as Sources of Job Satisfaction**

Based on the findings in Table 2 below, the respondents are particularly not satisfied with most of the job related aspects. However, they indicated moderate satisfaction towards health care benefits, working environment, flexible work hours, relationship with co-workers and superiors as well as opportunity to work independently. None of these factors received scores above 4 (satisfied) and these may imply the moderate to low level satisfaction towards other job related aspects.

**Table 2: Level of Satisfaction with Job Related Aspects (1- Not applicable, 2- Not satisfied, 3- Moderately satisfied, 4- Satisfied, 5- Very satisfied)**

<b>Variables</b>	<b>Mean</b>	<b>Standard deviation</b>
Salary	2.3765	.69254
Health care benefits	3.1040	.91242
Access to recreational/fitness facility	2.5320	.94475
Work load	2.8750	.82748
Opportunities to develop new skills	2.7490	.84208
Working environment	3.0766	.82360
Fair and equitable performance appraisal	2.7200	.83209

Opportunity for scholarly pursuit	2.9360	.95895
Flexibility of working hours	0400 3	.97684
Job security	2.9200	.91045
Relationship with co-workers	3.5760	.81909
Relationship with supervisors	3.4137	.87158
Opportunity to work independently	3.4120	.82764
Recognition of achievement	2.8280	.89084

## 7. FINDINGS

This research attempts to find out the influence of employees' perception of work-life quality towards job satisfaction. As per findings from the previous research the independent variables which are used to determine the employees' perception toward QWL as a whole are proven to be directly related to job satisfaction. These findings are consistent with the ones in previous researches for example by **Hagedorn (1994)** as well as **Olsen and Near (1994)** as reported in **Johnsrud (2002)**; where work life variables such as salary, perceived support of colleagues, satisfaction with the administration, work and non work conflict have been proven to directly affects or are predictive of job satisfaction.

However, the insignificance of the variables individually in determining job satisfaction except for meaningfulness, pessimism and autonomy, perhaps point to the fact that there are other elements which influence job satisfaction that we didn't address in this Herzberg's two factor theory (**Herzberg et al. (1967)**; **Herzberg (1968)**) for instance study identifies two sets of factors, motivator and hygiene to be instrumental as sources of job satisfaction or job dissatisfaction. While the instrument used in this study employ some of the factors indicated, some others that represent the intrinsic and extrinsic rewards for example the competitiveness of employees' pay, opportunity for career advancement or fringe benefits as well as awards and other kinds of recognition for good performance were not included in the survey, hence the said findings of this study.

The relatively young average age of the respondents (32.97) and the fact that 58.6% of them are married indicate that they are still in the productive stage of expanding their family size and most likely to have small children or school going children. As such financial rewards and fringe benefit like medical coverage would likely contribute to their level of job satisfaction. This is supported by the low mean score (lowest among fourteen job related aspects tested) on the level of satisfaction with salary recorded among the respondents.

The respondents' average years of service in the university together with the high percentage of those in the non-academic post holding positions other than the managerial level (92.37%) on the other hand may imply that opportunity for career advancement can lead to job satisfaction. It should be noted that although on the average the respondents did not indicate their outright dissatisfaction with fair and equitable performance appraisal or performance recognition, the means for those dimensions of job aspect are only 2.72 and 2.82 respectively. The mean score for scholarly pursuits is also below 3 signifying below moderate level of satisfaction.

The contribution of meaningfulness, pessimism and autonomy elements to job satisfaction as compared to the other individual dimensions tested in this study conform to the findings of previous researches on cognitive elements and their relationship with job satisfaction (**Speitzer et**

al. (1997)) and the correlation between affective facet and organization climate (Wanous et al. (2000)). Despite the increasing level of competition and short span of technical life-cycle in the education industry, keeping abreast with new technology is rated as the least cause of stress by the respondents implying that they are confident with their level of competence. In fact with such confidence and competence the staff of the university can and will be more satisfied if given ample autonomy in carrying out their job.

An organization which believes in autonomy would empower its people rather creating stress among the employees by tangling them in red tapes. The respondents of this study however, rated institutional procedures as one of the sources of stress. They also single out involvement in unproductive committee work as stress originator. Although the mean score for the said factor is between minimal to moderate, it is worth noting that the score for institutional procedures and committee works rank third and fourth (behind child care and departmental budget concerns) in stress causation, even higher than the mean for organizational change. It is not surprising to see institutional procedures causing a lot of stress among the employees.

Another angle to be considered in determining why only three of the ten QWL variables are significantly related to job satisfaction is the fact that almost half of the respondents (41.83%) are academicians. Academicians may derive their satisfaction from seeing their students graduating and knowing those students are employed immediately after graduation. Autonomy is also extremely important to academicians in carrying out their duties. As a private university, however, cannot provide much space for academicians to maneuver as the bottom line must always be considered.

## **8. CONCLUSION**

The present study indicated that QWL variables only are insufficient to measure employees' job satisfaction. The findings from the study were partly inconsistent with the previous research done in this area. However, any generalization made from the findings of this study must be made with extreme care as the respondents seem to be somewhat indecisive in answering the questionnaire. Despite the confidentiality and anonymity assurance found that the average score for majority of the items tested for job satisfaction, sources of stress and job related aspects' satisfaction level to be around 2.0 to 3.6 (scale of 1 to 5) only. The future studies in this area should be made independent of the human resource or any department in the sample organizations so that a fair response can be extracted. Future research on job satisfaction in the education industry should also include other dimensions of job satisfaction especially on the intrinsic rewards and key performance indicators or the satisfaction especially on the intrinsic rewards and key performance indicators or the performance evaluation criteria used by the sample organizations in evaluating their employees

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## Basis for Strategy Formulation and Implementation of Advertising Agencies in India

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### Abstract

*There has been little effort to analyze the changing conditions of work in the advertising agencies in India. In this paper, author attempts to understand the context that how advertising agencies in India formulate and implement their strategies which help to know that how advertising agencies face to challenges and able to capture new opportunities with the help of these changing strategies from earlier ancient times to new era. Even, author tries to clarify that how the strategies of advertising agencies vary across their nature. The study aims to explore some of the basic issues related to the changing strategies of the advertising agencies. The study will explore the analysis of competitive environment, in terms of formulation and implementation of the advertising agencies. In this paper, author attempt to clarify that in this today era, how advertising agencies help to grow and compete and also provide suggestions for the same.*

**Keywords:** Advertising Agencies, Strategy, Strategies of Advertising Agencies

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## **1. INTRODUCTION**

Everybody knows what advertising is. But relatively, little is actually known about the scene working behind the concept of advertising. Advertising is, in fact, a tripartite affair and the agency serves as the middle man between the advertisers and media. The base of the advertising business is the advertisers. It is impossible to have advertising without the mass media to carry advertising message. The third important segment of the advertising business is the advertising agency which plays an important role in producing and placing advertising for advertisers. Beside this tripartite affair, in today's scenario the fourth and fifth important players are the vendors and the consumer respectively who play vital role in advertising. Vendors provide expert opinion to the agencies whereas consumers are the focused point for the advertising agencies. Advertising is the only major continuous function of business that is almost universally delegated outside the company. Most advertisers rely on the service of independent advertising agencies. By serving numerous clients, an agency has the economic base to support a large number of specialized talents and services. They are able to provide highly technical aid and specialized counsel on an infinite variety of advertising and promotion problems. Because of the advantages to be gained through their use, a very high percentage of national advertisers make use of their services.

There is a set of standardized practices covering the agency's relationships with clients and media. There are standards to which most agencies adhere. There is intense competition in the agency business for new accounts. It is not uncommon to find ten to twenty agencies making presentation to an advertiser when he throws his account open for solicitation. A fully staffed advertising agency is involved in many areas of marketing beyond the preparation and placement of advertising. Advertising agencies carry out their work for clients through several departments manned by specialized brains.

The advertising agency business is unlike most other businesses. It is not the world's most stable business. It is a middle man's business with rules and practices of its own. Many people in academics and industry have misconceptions about the agency business. Although the first advertising agency was established in India long back, basic information about agency operations and its strategy formulation was not made available by any study. The information is critical of the individual advertising agency itself; of the business as a whole; of the advertisers who use the advertising agencies; and students specializing in marketing and advertising. An attempt has, therefore, been made to put this agency business in proper perspective.

## **2. REVIEW OF LITERATURE**

The review of literature provided a road map to identify that how the basis for strategy formulation and implementation of advertising agencies in India. Some of the important studies by various authors relevant to this paper are as follow:

**Chawla Suren (1981), Selvabaskar (2004) and Arathoon Marion (2008)** describe the scope and problems involved in the selection of media and how it influences the planning and policies of the advertising agencies. **Zeithaml et al. (1985), Sudarshan and Jyothi (2002) and Brownstein Marc (2007)** talked about how advertising agencies formulate their strategies and implement it on the basis of socio, cultural and psychographic dimensions of advertising and talked about problems

and strategies in service marketing. **Cagley James W. (1986), Wackman et al. (1986), Aaker and Stayman (1990)** gave their views on the strategy of advertising agency regarding their selection factor that influence the success of the agency client relationship. **Hite and Fraser (1988) and Nathan S V (1991) and Trivedi Divya (2008)** reported on international advertising strategies of multinational corporations. The researchers found that majority of the firms (66%) who advertise internationally utilized the following strategies: a combination of localized and standardized advertising; all localized advertising and all standardized advertising and were more likely to use foreign advertising agencies. **Michell (1988), Davis (1989), Shanker (1995) and Holak and Tang (1990)** talked about the emerging trends in Indian Advertising industry that these agencies are changing with the changing scenario and account loyalty in the advertising agencies. According to author, larger accounts are more loyal and the smaller agencies that have smaller accounts are less loyal and these accounts switch more as compared to larger one. **Connor et al. (1996)** gave brief idea on one of the strategies of advertising agencies regarding cost with the help of gross model and the strategy is related with developing advertising campaigns. **Gronstedt and Thorson (1996) and Kaushik (2001)** focused on the organizational structures and restructuring of a number of advertising agencies that have undertaken the move toward integrated communications. **Mathur and Mathur (1996)** examined whether initiating new relations with advertising agencies results in a change in the market value of the firm and according to authors it provides positive results. Extrapolating from the results of **Henke (1995) and Michell (1995)**, it was suggested that the wealth effects for the clients firms may be influenced by the size and prestige of advertising agencies. **Malhotra (2000), Pareek (2000) and Vranica (2001) and Bose Partap (2007)**, asserted that the Indian advertising agencies need to grab the emerging opportunities. According to the author, advertising agencies need to work out innovative strategies to attain their goals. **Agnihotri and Gupta (2003) and Razdan and Balakrishnan (2006)** investigate that advertising industry grows at 12 percent. Further, the author analyzed that the print to grow faster than television and growth in television to continue and their strategy is changing with the changing demand of the market. **Pruthi Vandna (2003), Shukla Archana (2004), Gabrielsson et al. (2008) and Lalitha (2009)** focused stresses that advertising agencies create and implement the right strategy at right time to improve the quality to capture the FMCG market. The present study considers the advertising agencies in different ways that how the working has changed with the passage of time. There has been relatively little research focusing on the working and strategic approach of the advertising agencies, which are unique and different than the others. It was therefore, observed that carrying out such a diagnostic study would be timely and appropriate. The study aims to explore some of the basic issues related to the changing strategies of the advertising agencies. The study will explore the analysis of competitive environment, in terms of formulation and implementation of the advertising agencies. The related literature has been reviewed as to make this study meaningful. The review of literature has gone a long way in making this study in the right direction.

### 3. OBJECTIVES OF THE STUDY

- To know how advertising agencies formulate and implement their strategies.
- To examine the challenges and problems those have been faced by the advertising agencies by changing their strategies.
- To study the impact of the changing strategies on the performance of the advertising agencies.
- To study the overall performance of advertising agencies.
- To provide suggestions for better strategies to be adopted and implemented by advertising agencies.

### 4. HYPOTHESIS OF THE STUDY

To achieve the above stated objectives, the following hypothesis has been set up with respect to nature which is presented in Table-7.

- There is no difference in the strategies of fully and provisionally accredited advertising agencies in India.

### 5. SELECTION OF THE SAMPLE

The addresses of the advertising agencies were selected from "The Press and Advertiser's Year Book - 2008-09" and "Indian Newspaper Society" (INS) - 2009-10". The selection of agencies was based on the following steps which are clear from the Tables-1, 2 and 3.

- All agencies which were accredited either provisional or fully with "Indian Newspaper Society" (INS) of INDIA were selected, i.e.775.
- Only those advertising agencies, which had their head offices in all four regions of INDIA, were selected which include five metropolitan cities i.e., MUMBAI, NEW DELHI, KOLKATTA, CHENNAI and BANGLORE.
- 500 agencies were identified which fulfilled the conditions listed above.
- Out of those 500 agencies, to have best sample as against to total population in each category of fully and provisional accredited advertising agencies, only 10 percent of fully and 25 percent of provisionally accredited advertising agencies were finally selected for the sample.i.e.65 agencies.
- Out of these 65 agencies, 40 were Fully Accredited and 25 were Provisionally Accredited.

**Table-1: Region wise Distribution of Advertising Agencies' Head Offices**

Location of Head Offices	Number of Agencies	
	Fully Accredited	Provisionally Accredited
North	172	81
East	61	25
West	192	62
South	132	50
Total	557	218

Source: INFA 2008-09 & INS YEAR BOOK 2009-10

**Table-2: Metropolitan City - wise Universe Distribution Stratified Random Sample**

Geographic Location	Agency Accredited		Total
	Fully Accredited	Provisionally Accredited	
Delhi	129	43	172
Kolkatta	48	12	60
Mumbai	144	24	168
Chennai	48	7	55
Banglore	35	10	45
Total	404	96	500

Source: INFA 2008-09 &amp; INS years Books 2009-10

**Table-3: Sample Size within Strata**

Geographical Location	Agency Accreditation		Total
	Fully Accredited	Provisionally Accredited	
Delhi	13	11	24
Kolkatta	5	3	8
Mumbai	14	6	20
Chennai	5	2	7
Banglore	3	3	6
Total	40	25	65

## 6. PROROFIE OF THE AGENCIES IN THE SURVEY

This part of the study describes profile of the advertising agencies which helps in further study of how these agencies formulate their strategies. Accordingly, the profile/nature is studied in terms of years of establishment, accreditation period, location of agencies and their subsidiaries, type of ownership in advertising agencies etc. Tables-4 to 10 give profile of the agencies covered under current survey.

To conduct this research, the researcher took a sample of as many as 65 advertising agencies. The responses were obtained from the top/middle level executives of these agencies. The frequency distribution of respondents selected from top and middle level of management is shown in Table-4.

**Table-4: Managerial Level of Respondents**

Managerial Level	Fully Accredited		Provisionally Accredited		Total	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Top Level	25	62.5	19	76	44	67.69
Middle Level	15	37.5	6	24	21	32.31
Total	40	100	25	100	65	100

Source: Primary Data

Table -4 shows that 62.5 percent respondents belonging to fully accredited agencies were top level executives. Similarly, 76 percent respondents belonging to provisionally accredited agencies were

top level executives. In contrast to this, 37.5 percent of respondents amongst fully accredited and 24 percent respondents from provisionally accredited agencies belonged to middle level executives. The overall sample showed that 67.69 percent of the respondents belonged to top level and the rest were middle level executives.

The experience of an executive influences the firm's strategies. Hence, the respondents need to be classified on the basis of their experience. The distribution of respondents according to the length of their experience in the line of advertising is presented in Table-5.

**Table-5: Experience of Respondents**

Experience (Years)	Fully Accredited		Provisionally Accredited		Total	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Below 5 years	2	5	2	8	4	6.15
5 - 10 years	3	7.5	3	12	6	9.23
10 - 15 years	4	10	4	16	8	12.31
Above 15 years	31	77.5	16	64	47	72.31
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>65</b>	<b>100</b>

Source: Primary Data

It is obvious from Table-5 that a large majority (77.5%) of the respondents belonging to fully accredited agencies had more than 15 years of experience in the advertising agencies. Similarly, in case of provisionally accredited agencies, 64 percent of respondents had more than 15 years of experience. In contrast to this, the table also shows that 10 percent fully accredited and 16 percent provisionally accredited advertising agencies had 10-15 years of experience in the field of advertising. On further analysis, it was found that only 5 percent fully and 8 percent provisionally accredited advertising agencies had less than 5 years of experience. At the overall level, as high as 72.31 percent respondents had more than 15 years of experience and only 9.23 percent and 12.31 percent had experience of 5-10 years and 10-15 years respectively. Thus, the respondents were having adequate experience of working with advertising agencies.

The age of advertising agencies also influences the firm's strategies. Hence, the age/experience of agencies need to be categorized on the basis of year of establishment which is clear from Table-6.

**Table-6: Age of Advertising Agencies**

Age of Agency	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Below 20 years	21	52.5	24	96	45	69.23
20 - 40 years	8	20	1	4	9	13.85
40 - 60 years	9	22.5	0	00	9	13.85
Above 60 years	2	5	0	00	2	3.07
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>65</b>	<b>100</b>

Source: Primary Data

Table -6 which presents classification of advertising agencies according to their age, indicates that 52.5 percent fully accredited agencies and 96 percent provisionally accredited agencies had less than 20 years of life. The advertising agencies having age between 20–40 years constituted 20 percent, 4 percent and 13.85 percent respectively of the sample units amongst the fully, provisionally and over all accredited agencies respectively. However, only 3.07 percent of advertising agencies had age of above 60 years life in India. Thus, on the whole, major proportion of sample agencies had below 20 years age.

The surveyed sample further classified on the basis of their nature in Table-7.

**Table-7: Classification of Respondents across Accreditation**

Type	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Accredited	40	100	25	100	65	100
Non - Accredited	0	00	0	00	00	00
Total	40	100	25	100	65	100

Source: Primary Data

Table-7 depicts that the sample comprised only those advertising agencies which were accredited with the Indian Newspaper Society. The agencies under sample (65 agencies) were comprised of 40 fully accredited and 25 provisionally accredited advertising agencies.<sup>1</sup>

The sample agencies were further classified on the basis of their geographical location in Table-8.

**Table-8: Geographical Location of Advertising Agencies**

Geographically Location	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
North	13	32.5	11	44	24	36.92
East	5	12.5	3	12	8	12.31
West	14	35	6	24	20	30.77
South	8	20	5	20	13	20
Total	40	100	25	100	65	100

Source: Primary Data

It is clear from Table-8 that, at the overall level, the highest number of agencies were located in North India (36.92%) followed by those located in West (30.77%) and South (20%). On further analysis, it was found that only 12.31 percent of advertising agencies were located in East. The

<sup>1</sup> Advertising agencies can be accredited and non – accredited. Accreditation of advertising agency is an institutionalized system of granting accreditation to advertising agencies enabling them, upon such accreditation, to access certain facilities from the members, has been in vogue for several decades. The system operates in terms of the "Rules Governing Accreditation of Advertising Agencies and Rulings of the Society" adopted by the Society, initially in the year 1943, and subsequently amended from time to time. And, accredited advertising agencies are those agencies which are accredited with any organization such as INS, INFA, ENS etc. and liable to have 17.5% commission but non- accredited advertising agencies received only 7% commission from the advertisers. Further, accredited agencies can be fully and provisionally accredited advertising agencies and they are termed by the agencies clear from their conditions. (Source: INS Book:2008-09)

above pattern to some extent also held true when analyzed in case of fully accredited and provisionally accredited separately.

The respondents were further asked whether there had been any break in the accreditation of their company. The responses are depicted in Table-9.

**Table-9: Breakage in Accreditation**

Breakage in Accreditation	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Yes	6	15	11	44	17	26.15
No	34	85	14	56	48	73.85
Total	40	100	25	100	65	100

Source: Primary Data

The responses in Table -9 reflect that there had been breakage in accreditation in case of 15 percent fully accredited agencies and in case of 44 percent provisionally accredited advertising agencies in India. The overall percentage of such agencies was as high as 26.15 percent.

The survey also brought out the reason for breakage of accreditation. Reasons for breakage in accreditation might be either financial loss or expansion or personal factors as is clear from Table-10.

**Table-10: Reasons for Breakage in Accreditation**

Reasons for Breakage	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Financial Loss	1	16.67	6	54.55	7	41.18
Expansion/Establishment of Concern	2	33.33	2	18.18	4	23.53
Personal Circumstances	3	50	3	27.27	6	35.29
Total	6	100	11	100	17	100

Source: Primary Data

Table-10 indicates that half of the fully accredited advertising agencies had breakage in accreditation due to personal circumstances. Financial loss was the major cause of breakage in 54.55 percent of provisionally accredited advertising agencies. At the overall level, 41.18 percent of advertising agencies faced breakage in their accreditation due to financial loss and 23.53 percent faced it because of expansion activities.

The next question unfolds the pattern of ownership of the advertising agencies as clear from Table-11.

**Table-11: Ownership Pattern**

Sector	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Public	1	2.5	1	4	2	3.08
Private	30	75	13	52	43	66.15
Cooperative	1	2.5	2	8	3	4.62
Government	1	2.5	1	4	2	3.08
Proprietorship	7	17.5	8	32	15	23.07
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>65</b>	<b>100</b>

Source: Primary Data

Table-11 which possesses distribution of responding agencies according to their ownership pattern shows that 75 percent fully accredited and 52 percent provisionally accredited agencies belonged to private sector. In contrast, 17.5 percent fully accredited and 32 percent provisionally accredited agencies were sole proprietorships. It was further surveyed that only 2.5 percent fully accredited and 4 percent provisionally accredited agencies belonged to public and government sector. Table 2.8 also indicates that, at the overall level, 66.15 percent of the firms belonged to private sector and 23.07 percent were sole proprietors.

The next question asked about the profile was: Do you have your subsidiary agency? The response in this concern is given in Table-12.

**Table-12: Sister Concerns**

Subsidiaries	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of Agencies	Percentage
Yes	32	80	17	68	49	75.38
No	8	20	8	32	16	24.62
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>65</b>	<b>100</b>

Source: Primary Data

It could be seen from Table -12 that 80 percent fully accredited agencies and 68 percent provisionally accredited agencies had sister concerns. The aim of such firms was capturing maximum market share and maximize profits. Further, overall result shows that 75.38 percent of advertising agencies had the subsidiaries so as to capture more geographical area.

The next question unfolds the location of above said sister concerns (Table-13).

**Table-13: Zone-wise Location of Sister Concerns**

Location of Subsidiaries*	Fully Accredited		Provisionally Accredited		Total	
	No. of Agencies	Percentage	No. of Agencies	Percentage	No. of agencies	Percentage
North	32	100	11	64.71	43	87.76
East	17	56.25	2	11.76	19	38.78
West	22	68.75	3	17.64	25	51.02
South	30	93.75	2	11.76	32	65.31

Source: Primary Data

\*In this Table, only those agencies were taken which had their sister concern, so the total is taken as 32 agencies in case of fully accredited and 17 agencies in case of provisionally accredited advertising agencies.

Table -13 indicates that all the fully accredited advertising agencies had their branches in North zone and 93.75 percent in South zone. On further analysis, it was found that 68.75 percent and 56.25 percent of fully accredited advertising agencies had their sister concerns in West and East zone respectively. Similarly, 64.71 percent of provisionally accredited advertising agencies had their sister concerns in North while 11.76 percent of provisionally accredited advertising agencies had their branches in East as well as in South zone. At overall level, as high as 87.76 percent of advertising agencies had their subsidiaries in North zone, 65.31 percent in South zone, 51.02 percent in West and 38.78 percent in East zone.

## 7. PERFORMANCE OF ADVERTISING AGENCIES IN INDIA

The second objective of the present research study is to evaluate the overall performance of the advertising agencies in India. The performance of advertising agencies and surveyed sampled agencies is studied in terms of amount of capitalized billing and growth over the previous year in Table-14 and Table-15 respectively.

**Table-14: Overall Capitalized Billing of Accredited Advertising Agencies in India**

Year	No. of Agencies	Average Capitalized Billings (Rs. Crore)	Year on Year Growth Rate (in percentage)
2000	750	44.24	-----
2001	757	49.43	11.73
2002	761	53.81	8.86
2003	770	58.65	8.99
2004	771	64.39	9.78
2005	775	70.76	9.89
2006	776	79.54	12.41
2007	778	89.88	12.99
2008	778	99.58	10.79

Source: INFA and INS

Table-14 exhibits that the capitalized billing of accredited advertising agencies in India had risen to rupees 99.58 crore in 2008 from rupees 44.24 crore in the year 2000. The amount of billing registered the maximum growth in the year 2007 (12.99%) followed by that in the year 2006 (12.41%). The year on year increase in the amount of billing remained limited to single digit during 2002 - 2005. On the whole, the advertising business continued to grow at a frenetic pace, making it resemble the Californian gold rush.

**Table-15: Overall Capitalized Billing of Sampled Advertising Agencies**

Year	Average Capitalized Billings (Rs. Crore)	Year on Year Growth Rate (in percentage)
2000	3.81	-----
2001	4.24	11.28
2002	4.59	8.25
2003	4.95	7.8
2004	5.43	9.69
2005	5.93	9.21
2006	6.66	12.31
2007	7.51	12.76
2008	8.78	16.91

Source: Primary Data

Table-15 describes that the average capitalized billing of the sampled advertising agencies in India had risen to rupees 8.78 crore in 2008 against rupees 3.81 crore in 2000. The table shows that advertising agencies have gradually increased their capitalized billing. The year on year growth reflects that it increased in 2008 with marvelous percentage (16.91%) against previous record. The classification of advertising agencies according to the size of capitalized billing is given in Table-16.

**Table -16: Categorization of Advertising Agencies according to Amount of Capitalized Billing**

Capitalized Billing Amount (Rs.)	No. of Agencies	Percentage
Below 1crore	20	30.77
1 crore - 50 crore	30	46.15
Above 50 crore	15	23.08
<b>Total</b>	<b>65</b>	<b>100</b>

Source: Primary Data

Table-16 indicates that 30.77 percent of sampled advertising agencies reported their capitalized billing up to rupees 1 crore and they are termed as small sized advertising agencies. On further analysis, it was found that 46.15 percent of advertising agencies fall in the category of billing from rupees 1 crore to rupees 50 crore and the same are termed as medium sized advertising agencies. The remaining 23.08 percent of advertising agencies had capitalized billing above rupees 50 crores and they are termed as large sized agencies. (Source: A&M, agency Report, 1998 - for dividing line.)

## 8. ANALYTICAL TOOLS USED

For analysis purposes, the agencies have been classified into fully accredited and provisionally accredited advertising agencies, also into old and new on the basis of experience and small, medium and large across size. The present study used percentage and chi - square test for analysis purpose. The chi- square test is used to test whether two or more attributes in fully, provisionally, old and new, small, medium and large size advertising agencies are associated or not in the present study. The chi- square test is one of most widely used non- parametric tests in statistical work.

## 9. FINDINGS

Advertising agencies have various departments and each department has their own strategy to capture the client and market share to grow. An Advertising agency business may be either a one-man show or there may be hundreds and thousands of people working together, forming part of huge multi-national corporations. Accordingly, their services also vary in range and depth as they have many departments varying with their services. It is interesting, therefore, to look into how they formulate the strategies of the advertising agencies.

### 9.1. Basis for Strategic Planning and Implementation

An agency that is strategically positioned performs different set of activities. Strategic planning establishes a long lasting competitive advantage by performing similar activities better than their competitors.

Strategic planning involve various aspects namely, mission establishment, how to familiarize the employees and managers about the mission, what kind of importance do the advertisers give to the objectives of the agency, which factor is being stressed as strategic choice and which methods they adopt to have good public relations. The practices followed by advertising agencies for strategic planning and implementation are given from following Tables based on survey data. The practices are examined across nature, experience and size of the agency. Table-17 show data whether the agency has established any mission.

**Table-17: Agencies Having their Mission**

Do your agency involved mission?	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Yes	40	100	25	100
No	0	00	0	00
<b>Total</b>	40	100	25	100

Source: Primary Data

Tables-17 indicates that all agencies irrespective of their nature, age and size are having their own mission statement.

The next question relates to show the mission is told to employees. The procedure to familiarize mission among employees and managers is exhibited in Table-18.

**Table-18: Procedure to Familiarize Employees and Managers about Mission**

Procedure to Familiarize about Mission	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Through seminars/ conferences	3	7.50	5	20.00
Through in-house information cell	6	15.00	2	8.00
Through internal agency report	2	5.00	4	16.00
Through talking to personnel working within agency	21	52.50	12	48.00
Through press/ Trade publications	8	20.00	2	8.00
<b>Total</b>	40	100	25	100

$\chi^2 = 6.0646$  and  $Tab = 9.488$  D.F. = 4 at 5% level of significance.

Source: Primary Data

Table-18 depicts that 52.50 percent of fully accredited and 48 percent of provisionally accredited advertising agencies popularize their mission through counseling with employees. However, 20 percent of fully and 8 percent of provisionally accredited agencies communicated the same through press and trade publications. 15 percent of fully and 8 percent of provisionally accredited agencies informed through their own in-house cells. Similarly, 7.5 percent of fully and 20 percent of provisionally accredited agencies conveyed their missions through conferences or seminars. On further analysis, it was found that only 5 percent of fully and 16 percent of provisionally accredited agencies familiarize their mission through internal agency report. To examine whether the procedure to familiarize their employees about mission differs across the nature,  $\chi^2$  test was applied. The result supported the hypothesis that the procedures followed to convey mission to managers and employees does not differ across nature of agencies.

Every agency after familiarizing their mission to employees set up certain objectives. An attempt was made to survey the kind of importance given by agencies to various objectives as clear from Table-19.

Table-19 depicts that 60 percent of fully accredited advertising agencies gave very low importance to 'target rate in billing/ market share/ return on investment or to maximize the profits' while 68 percent provisionally accredited advertising agencies gave very high importance to it. In contrast, 30 percent of fully and 36 percent of provisionally accredited advertising agencies gave moderate importance to 'target range of services'. Similarly, 20 percent fully and 28 percent provisionally accredited advertising agencies gave low importance to the objective of becoming a leader in creativity. On further analysis, it was found that 35 percent of fully accredited advertising agencies gave very high importance to 'increase in overall efficiency and effectiveness' while high importance by 36 percent of provisionally accredited advertising agencies.

Once the objectives have been finalized, agencies look for strategies to achieve these objectives. Accordingly, a question was also raised about the type of generic strategy, if any, followed by the selected advertising agencies. The responses are depicted in Table-19.

**Table-19: Generic Strategies followed by Advertising Agencies**

Generic Strategies	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Stability strategy	1	2.50	17	68.00
Expansion strategy	17	42.50	7	28.00
Retrenchment strategy	0	0.00	0	0.00
Combination strategy	22	55.00	1	4.00
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>

$\chi^2 = 36.0466$  and T.V. = 7.815 for D.F. = 3 at 5% level of significance.

Source: Primary Data

Table-19 reflects that 55 percent of fully accredited advertising agencies followed combined strategy. As against it, 42.50 percent followed expansion strategy. In case provisionally accredited advertising agencies 68 percent followed stability strategy to achieve their organizational objectives. 28 percent provisionally accredited advertising agencies had followed expansion strategy in their organization so as to capture more market share. The  $\chi^2$  value revealed that there

was a significant variation in the strategies of fully and provisionally accredited agencies regarding achieving the agency's objectives. In simple language, while the stability strategy is more popular among provisionally accredited agencies, combination and expansion are found so in case of fully accredited agencies.

Now after bringing out the type of strategy followed to achieve the objectives and mission, let us bring out the factors considered while making strategic choice. The findings of the survey in this regard are shown in Table-20.

**Table-20: Factors considered while making Strategy**

Factors	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
SWOT Analysis	16	40	7	28
Prepare Strategic Advantage Profile	4	10	5	20
Stages of PLC	6	15	4	16
Cultural Factor	2	5	3	12
Competitors Strategy	12	30	6	24
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>
<b><math>\chi^2 = 3.1365</math> and <math>Tab = 9.488</math> for D.F = 4 at 5% level of significance.</b>				

Source: Primary Data

Table-20 indicates that 40 percent of fully accredited and 28 percent of provisionally accredited advertising agencies made their strategies by doing SWOT analysis. Similarly, 30 percent of fully accredited and 24 percent of provisionally accredited agencies considered competitors' strategy as a basis for formulating strategy. In contrast, 15 percent of fully accredited and 16 percent of provisionally accredited agencies formulated their strategies by keeping in mind the stages of product life cycle. Strategic advantage profile was prepared by 10 percent of fully accredited and 20 percent of provisionally accredited advertising agencies. Even, cultural factors are considered in strategy formulation by 5 percent fully and 12 percent provisionally accredited advertising agencies. To explore whether the factors for making strategies depend on the nature of advertising agencies,  $\chi^2$  tests was applied. The result depicted that the strategy regarding factors was not dependent on nature of the agency.

To make strategies effective, every organization needs to make environmental analysis. As today's era is full of threats and challenges, to overcome such dilemma, every agency uses various sources of information for environmental analysis and operations as elaborated in Table-21.

**Table-21: Primary Sources of Information**

Sources	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Internal agency reports/ invoices/ documents	5	12.5	1	4
Books/ newspapers/ journals	4	10	3	12
Trade publications	4	10	3	12
Talking to clients/ suppliers/ competitors	9	22.5	7	28
Talking to personnel working within your agency	2	5	5	20
Purchasing information from outside suppliers	3	7.5	2	8

In - house information cell	4	10	1	4
Hiring an outside marketing research firm	3	7.5	2	8
Conducting in - house marketing research	5	12.5	1	4
Own model	1	2.5	0	0
Total	40	100	25	100

$\chi^2 = 4.1420$  and Tab = 16.919 D.F. = 9 at 5% level of significance.

Source: Primary Data

Table-21 depicts that 22.5 percent of fully accredited and 28 percent of provisionally accredited agencies primarily talked to clients or suppliers for information. 12.5 percent fully accredited and 4 percent provisionally accredited advertising agencies get information through internal agency report or conducting in-house marketing research. Similarly, 10 percent of fully accredited and 12 percent of provisionally accredited advertising agencies used books, newspapers, journals or trade publications as a primary source of information for doing environmental analysis. The  $\chi^2$  value shows that the null hypothesis of no difference in the primary sources of information across nature of an agency stands accepted.

When agencies have undergone environmental analysis for making strategies, their next step focuses on achieving the market share. An attempt was made during survey to know company's strategy in obtaining market share as explained in Tables-22.

**Table-22: Strategy regarding Marketing Share**

Strategy of the Agency about Market Share	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Satisfied with the existing market share	5	12.5	15	60
Open more subsidiaries	24	60	7	28
Mergers	4	10	1	4
Acquisition	2	5	1	4
Strategic Alliance	5	12.5	1	4
Total	40	100	25	100

$\chi^2 = 16.5587$  and Tab = 9.488 for D.F = 4 at 5% level of significance.

Source: Primary Data

Table-22 demonstrates that 60 percent of fully accredited and 28 percent of provisionally accredited advertising agencies have opened more subsidiaries to capture maximum market share. Similarly, 60 percent of provisionally and 12.5 percent of fully accredited advertising agencies responded that they were satisfied with the existing market share. In contrast, in each case, only 4 percent of provisionally accredited advertising agencies had the strategy of mergers, acquisitions or strategic alliance to maximize the market share. From, the value of  $\chi^2$  test it can be inferred that the strategy regarding market share was influenced by nature of the agency.

Advertising agencies take various steps to promote creativity and innovativeness in their organization. The survey data regarding the steps followed by sample agencies in this regard are presented in Table-23

**Table-23: Strategy Adopted to Promote Creativity**

Strategy regarding Creativity	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
Organizing in-house programmes	6	15	3	12
Executive's development	5	12.5	5	20
Seminar/workshops	9	22.5	15	60
Sponsoring to training/EDP's offered by other institutions in India	2	5	2	8
Overseas training with collaboration	2	5	0	0.00
Other foreign programs	1	2.5	0	0.00
All of the Above	15	37.5	0	0.00
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>

$\chi^2 = 17.9845$  and Tab = 12.592 D.F. = 6 at 5% level of significance.

Source: Primary Data

Table-23 indicates that 37.5 percent fully accredited advertising agencies adopted combination of all the methods to promote creativity and innovativeness. These methods include in-house programmes, EDP's, seminars, workshops, training etc. While 22.5 percent of the fully accredited agencies organize seminars or workshops, 60 percent of provisionally accredited advertising agencies do the same to increase the creativity. Further, it was found that only 2.5 percent of fully accredited advertising agencies had organized foreign programme as a method to promote the employee's creativity and innovativeness. The results of  $\chi^2$  test revealed that the null hypothesis—strategies to promote creativity are independent of nature of agency, was rejected as the calculated value was higher than the tabulated value. Hence, the test did not support that the nature affect the strategy adopted to promote the creativity and innovativeness.

To formulate and implement strategies, another essential is that the advertising agencies should have good public relations. So, agencies follow certain methods to have public relations. The responses in this regard are shown in Table-24.

**Table-24: Methods Adopted to have Public Relations**

Methods for Public Relations	Fully Accredited		Provisionally Accredited	
	No. of Agencies	Percentage	No. of Agencies	Percentage
By line articles written by agency's key personnel	5	12.5	2	8
Interviews given to press and other media by key personnel	8	20	3	12
Bringing out internal publications/ newsletters/ magazines	9	22.5	7	28
Holding creative competitors / contests	2	5	1	4
Delivering speeches / seminars/ conferences by key personnel	5	12.5	3	12
Organizing seminars/ workshop/ conferences by key personnel	4	10	4	16
Hosting dinner	1	2.5	1	4
Participating in forums/ sponsoring public service/ community welfare activities	6	15	4	16
<b>Total</b>	<b>40</b>	<b>100</b>	<b>25</b>	<b>100</b>

$\chi^2 = 1.6626$  and Tab = 14.067 D.F. = 7 at 5% level of significance.

Source: Primary Data

Table-24 shows that 22.5 percent of fully accredited and 28 percent of provisionally accredited advertising agencies bring out 'internal publications/ newsletters/ magazines' as method to have good public relations. 20 percent of fully accredited and 12 percent of provisionally accredited advertising agencies 'give interview to the press' and to other media personnel. Further, 15 percent fully accredited and 16 percent provisionally accredited advertising agencies 'participated in forums or in community welfare activities'. Similarly, 12.5 percent fully and 12 percent provisionally accredited agencies 'delivered speeches or conduct seminars and conferences' to build good public relations. Lastly, only 5 percent of fully and 4 percent of provisionally accredited advertising agencies adopted method of holding creative competitors or contests to have public relation.  $\chi^2$  value revealed that there was no significant variation in the strategies regarding having good public relations across accreditation.

## 10. SUGGESTIONS

In suggestion following are the areas for the improvement of advertising agencies in India so that they can make their strategies more effective:-

- a. **Delivery on deadline:** Delivery on dead line is very important for the strong relationship between client and agency as it would help to increase the goodwill of the company. For this, the agencies can make strategies to develop human resource department through employees development programme (EDP) that will boost up the moral of employees which would lead to productivity, stability, flexibility and would increase efficiency. So, with the help of EDP, employees will get motivated and put their best efforts in the organization and agency would able to meet the delivery deadlines.
- b. **Pro-activeness to changing market trends:** Time to time changes in the marketing strategies and accordingly changing trends in the market will give longevity to the agency. This can be achieved by agency through adopting strategies of verification of information by conducting research.
- c. **Generating ideas that are true to the brand and its essence:** Ideas should complement the brand concerned and its essence. For this improvement and generating new ideas, the agencies can make strategies like updating the creative department by sponsoring Employees Development Programmes, workshops, by using latest technology, by having brand strategic management. Effective conversion of positioning platform to consumer language: Agency should keep the concerned audience in mind while making the campaigns and choice of media and language.
- d. **Experience in client's product category:** In order to have versatility in the advertising agency. The agency should make such strategies that it may gain experience in every product available in the market so as to meet their different client requirements.
- e. **Ability to provide 360° solutions:** To have this, they can make strategy i.e., to follow and learn the international working of the agency.
- f. **Knowledge of reach of message coverage:** Researcher was astonished to find that many advertising agencies had no clue of calculating the reach of coverage of the message. By adopting strategies like research, surveys, personal interviews an agency to some extent can calculate the reach of message.

- g. **Training and development programme:** A good system of training, induction and familiarization is very powerful in motivating professionals. Hence, it is suggested that training and development programme should become a part of the agency policy.
- h. **Passing down cash discounts to clients:** It is also suggested to the advertising agencies to have cordial relations that if media gives any cash discount for making payment within stipulated times then such discount should be passed down to client, provided the client pays the agency bills by due date.
- i. **Good services:** The advertising agency must provide good advertising and marketing services to its clients. If advertising agency provides efficient services, at economic rates, at appropriate time, then it will help to improve agency – client relationship in the long run.
- j. **Written agreement:** All the terms and conditions between agency and client should be in writing so as to avoid any dispute in future. These terms can be with regard to fees, percentage of service charges, passing down of cash discount received from media, due date for paying the bills, time to be taken for developing and preparing advertisement etc.

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## A Study on Attitude of Fireworks Manufacturers in Sivakasi Towards Eco-friendly Fireworks

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### Abstract

Sivakasi is known throughout the world for fireworks production. Low rain fall and a dry climate prevailing in this area contribute to unabated fireworks production. Sivakasi supplies firecrackers and sparkers for all important ceremonies. For the color effect of fireworks, toxic heavy metals like barium, aluminum, lead, mercury salts, antimony, copper, and strontium can be used in firework compositions. The smoke from fireworks consists mainly of fine toxic dusts that can easily enter the lungs. They are more harmful to the society as they pollute our environment which affects the infants, children, pregnant women, patients and senior citizens. Fireworks fallout can contaminate water supplies and residue on the ground can be carried away by rain and end up in our lakes, rivers, or oceans. The noise from fireworks exceeds 140 decibels that scares pets and wildlife like birds, animals etc. For a long time, these consequences were not considered. Now-a-days modern developments in pyrotechnics are aimed at the use of nitrogen-rich compounds that burn cleaner and produce less smoke. These environmentally friendly fireworks could also offer better color quality and intensity than traditional fireworks. Keep in mind the responsibility towards the society, the fireworks manufacturers would adopt their production strategy towards eco-friendly fireworks. This study covers the awareness, acceptability and adaptability of eco-friendly fireworks among fireworks owners in Sivakasi.

**Keywords:** conventional fireworks, eco-friendly fireworks, pyrotechnics, firework compositions, multiple chemical sensitivity.

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## **1. INTRODUCTION**

Sivakasi is known throughout the world for fireworks production. The town is located at 9.28' North latitude and 77.48' East longitude. It has an average elevation of 101 metres (331 feet). It was given the nickname "Kutty Japan" by Jawaharlal Nehru as it possesses multifarious industries like Fireworks, Match Factories, Off-set litho presses which provide employment opportunities to a large mass of people in and around the city. Sivakasi experiences dry and pretty hot weather throughout the year. The town gets scanty rainfall during the monsoon. As low rain fall and a dry climate prevailing in this area contribute to unabated fireworks production, Sivakasi is more suitable for fireworks production. There are around 700 fireworks industries producing fireworks products in Sivakasi. Sivakasi supplies firecrackers and sparkers for all over India for Diwali, Christmas, Ramzan and other important ceremonies. This industry has huge turnover of around ₹1000 crores (around 200 million dollars) per year with exports from Sivakasi accounting for ₹.5 crores. Sivakasi contributes to 90% of India's total fireworks production and ranks as one of the highest Tax payer towns in India. The Fireworks industries in Sivakasi contribute ₹35 crores and ₹15 crores as central excise and state excise duties, respectively. But most of us are not aware of the environmental impact of burning fireworks. For the color effect of fireworks, toxic heavy metals like barium, aluminum, lead, mercury salts, antimony, copper, and strontium can be used in firework compositions. Outdated heavy metals that have been used in the past include rubidium and cadmium. The smoke from fireworks consists mainly of fine toxic dusts (particulate matter) that can easily enter the lungs. This represents a real threat for people with asthma or multiple chemical sensitivity (MCS). Smoke from fireworks combustion may contain a mixture of sulfur-coal compounds, traces of heavy metals, and other toxic chemicals or gases. Fireworks fallout can contaminate water supplies and residue on the ground can be carried away by rain and end up in our lakes, rivers, or oceans. Usually noise at 85 decibels or above can damage hearing. The noise from fireworks exceeds 140 decibels that scares pets and wildlife like birds, animals etc. Accidents can occur if fireworks are handled carelessly during sale and use. They are more harmful to the society as they pollute our environment which affects the infants, children, pregnant women, patients and senior citizens. The flashing displays can harm the environment and pose risks to human health. For a long time, the consequences of this were not considered. Now-a-days modern developments in pyrotechnics are aimed at the use of nitrogen-rich compounds, i.e. eco-friendly fireworks that are perchlorate-free and contain about one-tenth the amount of barium in traditional fireworks. Researchers recently developed new pyrotechnic formulas that replace perchlorate with nitrogen-rich materials or nitrocellulose that burn cleaner and produce less smoke. At the same time, these nitrogen-rich formulas also use fewer color-producing chemicals, dramatically cutting down on the amount of heavy metals used and lowering their potentially toxic effects. Some of these fireworks are already being used at circuses, rock concerts, and other events. These environmentally friendly fireworks could also offer better color quality and intensity than traditional fireworks. Keep in mind the responsibility towards the society, the fireworks manufacturers would adopt their production strategy towards eco-friendly fireworks. The objective of the study is to exhibit the attitude of fireworks manufacturers towards eco-friendly fireworks. This study covers the awareness, acceptability and adaptability of eco-friendly fireworks among fireworks industries in Sivakasi.

## **2. OBJECTIVES OF THE STUDY**

1. To exhibit the attitude of fireworks manufacturers towards eco-friendly fireworks.
2. To study the awareness, acceptability and adaptability of fireworks manufacturers towards eco-friendly fireworks.
3. To find out the difficulties in shifting from conventional fireworks to eco-friendly fireworks.
4. To provide fruitful suggestions to offer eco-friendly environment.

## **3. NEED OF THE STUDY**

The impact of burning fireworks is most harmful to the society as they affect our environment. It results in water pollution, air pollution and noise pollution. Accidents can occur if the fireworks are carelessly handled during their sales and uses. Keep in mind these adverse impacts, the fireworks manufacturers would shift their production strategy from conventional fireworks to eco-friendly fireworks. This study focuses on the awareness, acceptability and adoptability of fireworks manufacturers towards eco-friendly fireworks.

## **4. SCOPE OF THE STUDY**

The current study titled "The Attitude of Fireworks Manufacturers in Sivakasi towards Eco-Friendly Fireworks" has covered the awareness, acceptability, adaptability and willingness of fireworks manufacturers towards eco-friendly fireworks. It also exhibits the additional investment and the time required for adopting the production strategy of eco-friendly fireworks. The current study also points out the problems and difficulties in shifting from conventional fireworks to eco-friendly fireworks.

## **5. RESEARCH METHODOLOGY**

The current study has been conducted in descriptive nature. The primary data has been collected through the pre-defined, well structured questionnaire. 20 samples have been selected through convenience sampling method. The statistical tools like Percentages, Mean, Standard Deviation and Rank Matrix Data Analysis method are used in this study.

## **6. CONVENTIONAL FIREWORKS**

Conventional commonly include potassium perchlorate to speed up the fuel-burning process. Typical pyrotechnics function by burning, so their basic chemical components consist of an oxidant and a fuel. Black powder, the original pyrotechnic, blends potassium nitrate oxidizer with charcoal and sulfur fuel.

Pyrotechnical materials contain an oxidizer and a reducing agent; depending on the application, binding material, propellant charges, coloring agents and smoke- and sound-producing agents can be added.

Fireworks traditionally have included potassium perchlorate as the oxidizer, a material that provides the oxygen that fireworks need to burn. Pyrotechnics contain other ingredients, such color-producing heavy metals, with a similar potential.

## **7. ILL EFFECTS OF CONVENTIONAL FIREWORKS:**

Conventional fireworks are not friendly to the environment or our health. The burning of the metal salts in fireworks releases ultraviolet light which increases ozone pollution, according to a

study by the Jawaharlal Nehru University in India. When fireworks are set off, they release heavy metals like **lead, chromium, carbon monoxide, and sulfur oxides**.

Pyrotechnics might be beautiful to watch, but their environmental- and human-health implications are far from pleasant. When a firework or other pyrotechnic is set off, it releases a whole cocktail of poisons damaging to humans and the environment: heavy metals like lead, barium and chromium, chlorates, dioxins, smoke and particulates, carbon monoxide, and nitrogen and sulfur oxides.

Traditional fireworks are normally made using charcoal and sulphur fuel, a perchlorate oxidiser to help with burning, plus binders, colourants and propellants. When ignited, the pyrotechnics are spectacular, but they emit large amounts of smoke, unused perchlorates and metal by-products from the colourants, all of which are contaminants.

Perchlorate, is an environmental pollutant with potential adverse effects on people and wildlife. Perchlorate has been identified as a potential human health hazard causing thyroid damage. Perchlorate, accumulated in the soil, air and water, will cause thyroid damage. Pyrotechnics also contain color-producing heavy metals, such as barium and copper, which have also been linked to toxic effects. Fireworks produce a lot of smoke, when they are burnt. Apart from being a source of toxic fumes, the smoke also causes great discomfort. People suffering from asthma and other respiratory conditions have no other choice but to stay indoors during Diwali. They are unable to go outside for fear of any of the smoke getting into their lungs and triggering an attack.

Fireworks also bring with them a lot of noise. Diwali favorites like the 'Laxmi bomb' produce a sound of 100 decibels when they are burst. In comparison, any sound beyond 50 decibels is classified as being noise. The noise produced by crackers is extremely hazardous to health. Sudden noise can cause temporary hearing loss. Extended exposure could lead to permanent hearing loss. Crackers burst indiscriminately cause disturbances in sleep. This can be especially upsetting to people who require undisturbed rest like babies and elderly people. Noise also frightens children and household pets, causing them to experience anxiety.

Most fireworks are made by factories which employ children as labourers. These young children are forced to handle the toxic substances that go into these crackers. As a result, they contract diseases associated with these substances. Due to lack of medical aid, many of these children do not live beyond their teenage years.

Asthma attacks have been known to increase in communities following fireworks displays due to thick, particulate-heavy smoke. Many chemicals, like barium and antimony, have been shown to have dangerous effects on the lungs, heart, and stomach. Perchlorate, oxygen-rich molecules that allow the fuel in fireworks to burn, disrupts thyroid endocrine systems and reproduction in wildlife and is listed as a drinking water contaminant by the US Environmental Protection Agency.

The formulation of oxidizers, propellants, fuels and colouring agents in fireworks leaves behind smoky combustion products those fall from the air into nearby soil and water. Some of the metals that make fireworks colourful may also be poisonous when heated. Fireworks contain toxic heavy metals that are linked, not only to air and water pollution, but also to cancer and respiratory problems. In order to overcome the problems of conventional fireworks, it is necessary to create awareness about the significance of eco-friendly environment.

## **8. ECO-FRIENDLY**

The word 'eco-friendly' refers to not damaging to the environment or directed at preventing environmental damage. It also refers to designed to cause as little harm as possible to the environment. In other words, humans taking good care of the environment in which they live.

## **9. ECO-FRIENDLY FIREWORKS**

Scientists are now creating fireworks made of chemicals that don't pollute the atmosphere. These environmentally friendly fireworks could also offer better color quality and intensity than conventional fireworks. Environmentally friendly fireworks have been developed to reduce the amount of atmospheric pollution produced.

Eco-friendly fireworks have a clean burning, nitrogen-based fuel. This means a perchlorate oxidiser is not needed and because there is little smoke, only small amounts of metal salts are needed to produce the brilliantly coloured flames.

Eco-friendly Fireworks made with nitrogen-rich materials are less toxic and smoky. It replaces carbon-based fuels with nitrogen-based ones, so that perchlorates become unnecessary. This has the welcome side-effect of reducing the amount of smoke produced, which means that 10x less barium need to be used.

Replacing the barium with boron would cut the amount of toxic material released by fireworks. This is particularly important in places where displays take place every day, such as at theme parks, where the compounds can accumulate.

Unlike traditional pyrotechnics, which get their energy from oxidizing carbon or metal fuels, high-nitrogen materials store their energy in their N-N and N-H bonds. "When they give off their energy, it's not an oxidizing process. Instead, the molecules release energy as they break up into N<sub>2</sub> and H<sub>2</sub>. Very little carbon is present in these nitrogen-rich molecules, he continues, so much smaller amounts of oxidizers, such as perchlorate, are needed.

Less carbon and less perchlorate also mean less smoke. With less smoke to obscure color, pyrotechnic makers can cut down on the amount of coloring agent they need in a firework or flare. In a traditional pyrotechnic blend, the coloring agent can account for as much as 20-30% of the mixture by weight. In a high-nitrogen pyrotechnic formulation, the colorant makes up just 2-5 wt % of the blend.

Nitrogen-rich pyrotechnics also offer chemists the opportunity to combine the metal coloring agent and fuel in a single compound. The high-nitrogen compounds readily associate with popular colorant metals, such as strontium or copper.

The class of nitrogen-rich pyrotechnics does not offer only environmentally friendly combustion products; they often offer better color quality and intensity than conventional mixtures. Nitrogen-rich propellants demonstrate improved performance and burn smoke free.

The new pyrotechnic formulas replace perchlorate with nitrogen-rich materials or nitrocellulose that burn cleaner and produce less smoke. At the same time, these nitrogen-rich formulas also use fewer color-producing chemicals, dramatically cutting down the amount of heavy metals used and lowering their potentially toxic effects. Some of these fireworks are already being used at circuses, rock concerts, and other events. The big challenge in developing these "eco-friendly" pyrotechnics is making them as cost-effective as conventional fireworks while maintaining their dazzle and glow.

Some of these nitrogen fireworks are already being used in circuses, concerts and other events. Conventional fireworks draw their energy from the oxidation of carbon. Clean fireworks, on the other hand, would get energy from the high temperatures that occur with the formation of nitrogen-rich compounds. Some possible compounds could be tetrazoles and tetrazines, which are made of four nitrogen atoms and either one or two carbon atoms, respectively.

To produce different colors, chemists could use aminotetrazole salts with specific non-toxic metals. For example, lithium, sodium, potassium, rubidium and cesium result in red, orange, violet, purple, and pink flames, respectively. Somewhat ironically, the most difficult color to produce with "green" fireworks is green. The researchers are looking into green-burning salts based on copper compounds. But the biggest challenge will likely be selling the fireworks at a competitive price.

The next generation pyrotechnics will exploit the high heats of formation of nitrogen-rich compounds rather than drawing energy from the conventional oxidation of a carbon backbone. Such metastable or unstable compounds release their energy of formation as they decompose explosively without producing smoke.

The new class of nitrogen-rich pyrotechnics offers not only environmentally friendly combustion products but the colours are often richer and more intense. Environment friendly firework products can be produced by using more nitrogen rich compounds which changes the chemistry of the product making it safer with better colour quality and better intensity than the regular fireworks.

## 10. ANALYSIS AND FINDINGS

1. There were 20 fireworks manufacturers participated in this study. 40% of the respondents invested above Rs. 50 Lakhs in their concern. 90% of the respondents are involved in exporting of Fireworks to foreign countries. The annual turnover of 45% of the respondents is above Rs. 20 lakhs. Around 100-150 products are produced by 45% of the respondents. 100% of the respondents are having awareness with eco-friendly fireworks. 70% of the respondents are having awareness about eco-friendly fireworks through Fireworks' Association Meetings. 60% of the respondents are having higher level of willingness in making self-awareness towards eco-friendly fireworks. 100% of the respondents are informed that the eco-friendly product viz., Paper Magic is produced in their concerns. 100% of the respondents are interested in adopting the eco-friendly technology in the near future. 100% of the respondents are possible to convert the production of firework from conventional to eco-friendly. 40% of the respondents informed that 1-3 years will be required to adopt eco-friendly technology totally. 50% of the respondents expected that 5 - Rs. 10 Lakhs of additional investment to be needed for producing eco-friendly fireworks in their concerns. (Table 1)

TABLE-1

S.No.	Respondents Profile	Classification	Frequency
1	Amount of capital invested (in Rs.)	Below 10 Lakhs	0 (0%)
		10 Lakhs - 20 Lakhs	1 (5%)
		20 Lakhs - 30 Lakhs	2 (10%)

		30 Lakhs - 40 Lakhs	3 (15%)
		40 Lakhs - 50 Lakhs	6 (30%)
		Above 50 Lakhs	8 (40%)
2	Average amount of annual turnover (in Rs.)	Below 5 Lakhs	1 (5%)
		5 Lakhs - 10 Lakhs	2 (10%)
		10 Lakhs - 20 Lakhs	8 (40%)
		Above 20 Lakhs	9 (45%)
3	Number of Varieties of fireworks products produced	Below 50	3 (15%)
		50 - 100	4 (20%)
		100 - 150 Lakhs	9 (45%)
		Above 150	4 (20%)
4	Awareness of eco-friendly fireworks among fireworks manufacturers	Yes	20 (100%)
		No	0 (0%)
5	The sources from which fireworks manufacturers get awareness	Newspaper	0 (0%)
		Trade Journals	3 (15%)
		Association Meetings	14 (70%)
		Conferences	3 (15%)
		Media	0 (0%)
6	Willingness in adopting the eco-friendly technology in the near future	Yes	20 (100%)
		No	0 (%)
7	Estimated time requires to adopt eco-friendly technology in the future totally	Below 1 Year	8 (40%)
		1 - 3 Years	8 (40%)
		3 - 5 Years	2 (10%)
		Above 5 Years	2 (10%)
8	Additional investment to be needed for producing eco-friendly fireworks	Above 10 Lakhs	4 (20%)
		5 - 10 Lakhs	10 (50%)
		Below 5 Lakhs	6 (30%)

Source: Primary Data

2. Among the reasons for the refusal of converting the production of fireworks from conventional to eco-friendly, Lack of technical know-how tops the list with the minimum score of 45 followed by Huge investment (47), Changing customers' taste and preferences (50) and Risk of marketability (58). (Table 2)

TABLE-2: Rank Matrix score

Factors / Rank	Lack of technical know-how	Huge investment	Changing customers' taste and preferences	Risk of marketability
I	3	9	8	0
II	18	6	0	16
III	24	0	18	18
IV	0	32	24	24
<b>TOTAL</b>	<b>45</b>	<b>47</b>	<b>50</b>	<b>58</b>

Source: Primary Data



3. 100% of the respondents agreed that the main obstacle in making green pyrotechnics is cost. (Table 3)
4. 95% of the respondents agreed with the following statements:
  - Eco-friendly fireworks reduce the amount of smoke produced.
  - These environmentally friendly fireworks could also offer better color quality and intensity than conventional fireworks.
  - The class of nitrogen-rich pyrotechnics offers not only environmentally friendly combustion products, but better color quality and intensity than conventional mixtures.
5. 90% of the respondents agreed that eco-friendly fireworks are aimed at the use of nitrogen-rich compounds. (Table 3)
6. The Mean value of 9.67 shows that 90% of the respondents are agreed with the statement "Eco-friendly fireworks are aimed at the use of nitrogen-rich compounds". The Mean value of 6.00 shows that 50% of the respondents are disagreed with the statement "Customers would expect eco-friendly fireworks more". The Mean value of 6.00 shows that 45% of the respondents are disagreed with the statement "Green Fireworks technology is very difficult in producing eco-friendly fireworks". (Table 3)

TABLE 3

S. No.	Attitude Variables	Mean	Standard Deviation
1	Eco-friendly fireworks reduce the amount of smoke produced.	9.83	9.29
2	Eco-friendly fireworks are aimed at the use of nitrogen-rich compounds	9.67	8.60
3	Researchers recently developed new pyrotechnic formulas that replace perchlorate with nitrogen-rich materials or nitrocellulose that burn cleaner and produce less smoke	9.33	7.79
4	Fireworks made with nitrogen-rich materials are less toxic and smoky.	9.00	7.00
5	These environmentally friendly fireworks could also offer better color quality and intensity than conventional fireworks.	9.83	9.29
6	The main obstacle in making green pyrotechnics is cost.	10.00	10.00
7	The class of nitrogen-rich pyrotechnics offers not only environmentally friendly combustion products, but better color quality and intensity than conventional mixtures.	9.83	9.29
8	Eco-friendly fireworks protect our environment	7.00	1.00
9	Customers would expect eco-friendly fireworks more.	6.00	2.58
10	Eco-friendly fireworks are not harmful to the children, patients and senior citizens.	7.83	3.10
11	The big challenge in launching these "eco-friendly" pyrotechnics into the sky is making them cost-competitive with conventional fireworks while maintaining their dazzle and glow.	8.83	5.74
12	Green Fireworks technology is very difficult in producing eco-friendly fireworks.	6.00	1.83
13	Perchlorate, a potential human hazard causing thyroid damage used in conventional fireworks has not been used in eco-friendly fireworks.	5.50	3.30
14	Eco-friendly fireworks don't cause any kind of serious mishap like burns and fires. They can be used in indoor parties and functions also.	8.83	5.85
15	Fireworks based on the principle of vacuum pressure attracted the mass and used in various functions.	6.17	1.34
16	Eco-friendly fireworks contain 10 times less barium than the conventional fireworks.	9.00	7.00
17	Eco-friendly fireworks will definitely cost more but some extra money can pave its way for better and healthier air in the future.	8.00	3.56
18	Heavy metals are used to produce the pretty colors typically associated with the Eco-friendly fireworks.	8.17	4.14

Source: Primary Data

## **11. SUGGESTIONS**

- It is suggested that the role of Newspaper, Internet and Media shall be enhanced in creating awareness of eco-friendly fireworks among the fireworks manufacturers.
- The public may be educated about the impact of fireworks in affecting the environment and the adverse effects of climate change and global warming. It paves the way to consume the eco-friendly fireworks rather than conventional fireworks.
- The government may introduce the subsidies, incentives, relaxations etc for the effective implementation of eco-friendly fireworks production strategy made by the fireworks manufacturers.
- Arranging the training programme for educating the eco-friendly technology in the production of fireworks will help the fireworks manufacturers to implement the eco-friendly technology in their concerns quickly.

## **12. CONCLUSION**

It is the responsibility of each fireworks manufacturer and customer to take care of our environment. The ill-effects of global warming and climate change can be drastically reduced with the adoption of production and consumption of eco-friendly fireworks. At this moment, proper guidance, encouragement and support of the government and policy makers are essential to implement the eco-friendly technology in the field of fireworks industries not only to save the environment but also to provide green atmosphere to the generations to come.

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## A New Look of Dharma & Karma: Social & Ethical Sense of Management for Management

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### Abstract

*At red light; one can see the team of baggers who knocks each car's windows for bagging for the sake of Lord Ram. This is very common which can be seen everywhere but don't know why those words compelled us to think. Even they couldn't get the alms but may be sake of Lord Ram's name they get....when we looked them they were having cell phones also. We lost our patients and shouted "you are having money to recharge the cell and bagging the money?" Very smartly they relied "Madam we are living in IT's era, it's easy to connect with each other to know the good prospect in our business." We normally shocked, but it's true. We were feeling the fragrances of management vision. Then we wowed what a Hindu culture is which sets a mile stone for life skills thousands of years back. It is very known in Hindu culture that Lord Ram and Lord Krishna were an incarnation of Lord Vishnu. Then question arise why Lord Vishnu required to be incarnated? After a long mental churn came to the result that Both Lords won the evils, so past era was also having same environment then on the basis of it only they adopted the techniques which are now a part of management syllabus, which is creating awareness about Social and Ethical Sense of Management for Management. How Social and Ethical Sense of Management is for Management, to know this we have divided the paper under these sections-*

*Subject & Problem, Key Research Questions, Research Context, Observations, Practice and Tacit, Knowledge Conclusion and Implication for Society and Policy, References*

*After analyzing the main objective with these sections came to the conclusion that although we introduce lots of new techniques for better life skills ,betterment for the society, but ultimately we have to follow the techniques(ethics & values) which Lord Ram, Lord Krishna used for peace & Ram- Rajya.*

**Keywords:** *Social and Ethical Sense of Management, implementing strategic management decisions, Corporate Social Responsibility (CSR), Business Ethics, Quality of Work Life and Quality Circles, globalization, values.*

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## 1. INTRODUCTION

At the red light; one can see team of baggers came and knock each car's window & saying "राम के नाम से 5 रूपये दे दे साब राम तेरा भला करेंगे" [Madam give me Rs. 5 God Ram will benefit you.] This is very common which can see every where but don't know why those words compelled me to think. Even they couldn't get the alms but may be the sake of Lord Ram's name they get....When we looked them, they were having cell phones also. We lost our patients and shouted, "you are having money to recharge the cell & bagging the money??" Very smartly they relied "*Madam we are living in IT's era, it's easy to connect with each other to know the good prospect in our business.*" We were shocked, but it's true. We were feeling the fragrances of management vision. Then, we woved what a Hindu culture is which sets a mile stone for life skills thousands of years back. It is very known in Hindu culture that Lord Ram and Lord Krishna were an incarnation of Lord Vishnu. Then question arise why Lord Vishnu required to be incarnated? After a long mental churn we came to the result that Both Lords won the evils. Past era was also having same environment. That's why they developed the techniques which are now a day's essential part of our management syllabus, which is creating social & ethical sense of management for management. Ramayan and Mahabharata is the example of their long vision.

## 2. SUBJECT AND PROBLEM

The business world is constantly evolving and changing; the management discipline is also responding to these changes. This reflects the environment where a person has to learn, develop and put his 100%. This may not be restricted to physical facilities but should also include psychological reassurances as assets. This is the cause of any development. Now-a-days we are advocating for developed countries, but is it? Where we stand for? Where our society is going on? To assess and evaluates all these, the paper aims to draw upon an in-depth understanding of the important developments in various areas of management with the study of Lord Ram's personality. This paper is also examining the application part of contemporary issues in management with broad sense.

## 3. KEY RESEARCH QUESTIONS

Having completed this paper, the outcome is expected to:

- An ability to critically evaluate strategic change and contemporary issues in management; since Ramayana era.
- Critically evaluate the relevance of a range of contemporary issues in implementing strategic management decisions.
- Social and Ethical Sense of Management for Management a globalised environment, with Dharma and Dhamma.

## 4. RESEARCH CONTEXT

To evaluate the contribution of Ramayana in management science, I have collected 25 no. of samples, from different age groups. I asked a common question,

- Ram- Rajya is good or today's global environment?
- If Ram -Rajya, so why?
- What are the factors which promotes Ram- Rajya?

- Which are the areas where we miss Ram- Rajya?

About 98% of population advocated for Ram- Rajya, because Ramayana had made lots of contributions to management science. They developed systematic advanced management techniques related to division of labor, hierarchy, and teams. Although management systems existed long before the modern era, but we can find all advanced business management techniques from their.

To analyze all key questions firstly we should know what are the contemporary issues in management? Although no's of contemporary issues are there in management now days but due to limitation of study the paper is evaluating only few areas -

- Changing social, economic and political environment
- appropriate technology, infrastructure and networking
- Ethics and values
- Industrial unrest and Increasing stress
- Cross cultural training, multi skilling, competence building, and emotional intelligence
- How to create a culture of innovation and change

## **5. OBSERVATIONS**

What do the stories of Ramayana and Mahabharata teach us? Why Indian tells these stories to their children? Why does it become the means of attraction? On the foot prints of Ramayana and Mahabharata not only Indians but developed country is also shaping their management systems. It has become very popular due to its management approach .We feel that these stories are the first steps to learn the life skills. Rama was an example for dharma, ethics and values. He showed the way. The great Ramayana tells a good way of living, a right way to be followed, how to be a man should live. We can get the lesson from the stories of Ramayana and Mahabharata - sincerity, honesty, dedication, sacrifice, duty etc., are important effort to understand the duties of the individual, the family and the society. Rama is the ocean of human values.

## **6. PRACTICE AND TACIT KNOWLEDGE**

Management principles, practice and tacit knowledge are the life guards to survive in global village; these guards were used by Lord Ram. We can find out lots of examples, like- Rama applied the teamwork in search of Sita and was successful in the mission. Another incidence, in which use of management principle is very clearly visible, is that of Hanuman going to Lanka. His mission was to search Sita there and give her Lord Ram's message. When it became clear that Sita was in Lanka, Jamvant helped him in realizing his true potential and motivated him to go in the enemy's camp. The mission was to completely analyze the situation in Lanka. He did the SWOT analysis about the Lankans, ascertaining the goals, choosing a right plan analyzing the strengths and assessing the weaknesses of the competitor. These are the management practice is all about .This SWOT analysis is one of the most important aspects of modern day management. Moreover a classic example of a good Manager was Sughriv has shown some of the best managerial skills to get his kingdom back from his brother. In the same manner, again and again Ravana has shown the signs of a bad manager; he ignored the suggestions of his managers and hence led to the demise of his kingdom. Moreover, during a crisis, a company looks forward to the best of his managers to bail it out of the same. A good

manager listens to what his subordinates has to say and tries to keep them together especially when the organization needs that most. But Ravana's mismanagement was responsible for crisis. Lord Ram was the master of nurturing relations. When Ravana was lying wounded in the battle field and was about to die, he shared some important lessons with Lord Ram, which he had learnt in his life, sent to seek Ravana's wisdom by Ram.

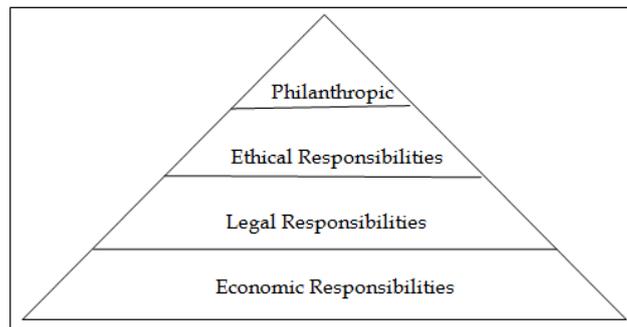
But when we talk about rapid growth of technological, infrastructure development and strong networking at the time of Lord Ram, lots of witness & evidences are available for. To maintain social and political peace, Lord Ram attacked on Lanka. The technology both sides were using sophisticated weaponry (economically strong), the all in one ultimate weapon being Brahmastra ("the weapon of Brahma")(guns & cannons), Ravan's air craft(now a days aeroplane) in which he kidnapped Devi Sita, Jatayu(a bird)who fighter for Sita's security(fighter plane), lord Hanuman crossed the whole river and burn Lanka alone(missites), the army of Ram was floated the stones on see for bridge,. Very high Technology was used in that era (Rakshasas were flying in the air) etc. Lord Rama managed to free the environment from the wrong doings of many Rakshasas (social security).

## **7. IMPLICATION FOR SOCIETY AND POLICY**

The life of Lord Shri Ram was primarily and ultimately based on the values and ethics. Every aspect of birth to Nirvana of Ram, announces that it has specific reason. But when connect to this with this era we found many substantial evidences which proved that many companies are starting to monitor and manage key indicators, addressing such issues can directly cut cost and save money. As such, these can evaluate the application of management theories and putting those in practices specifically for company's reputation. When, we implicate Shri Ram's techniques for Society benefits, we can only say that "**old wine in new bottle**" means **old techniques with new terminology**.

### **7.1. Corporate Social Responsibility (CSR)**

The idea of CSR can be discerned from "corporate", "social" and "responsibility" which we already discussed earlier. It concerns the social environment and a changed social contract. Many advocated for social impact of their decisions and actions, which they learnt from Ramayana. They suggested to organizations for acting to protect and improve the welfare of the general public. The organizations must aim to address the needs of society as 'considerable talk and lip service'.



## **7.2. Business Ethics**

Earlier it was said that – “business of business is business” – now there is a sudden change in the slogan. In the contemporary scenario, where ethics have got due importance, the slogan has taken the form- “business of business is ethical business.” The modern definition of ethics is “culture of apparitional operating system along with value, where employees conduct themselves with, as a “collective body”. For business, company’s by-laws must be positive towards the ethics, which was used by Lord Ram earlier. The Identity of Lord Ram shows ethics as perception of right or wrong in the behavior and practices for society which we are practicing as Business Ethics.

## **7.3. Quality of Work Life and Quality Circles**

The quality of work life (QWL) is attraction of future employees and retention of current employees. The QWL aims for the improvement of employee satisfaction, a better change and transition-management, strengthening of workplace learning and helping employees from their problems. Lord Ram applied these concepts for winning war between Sugriv and his brother. The basic element of QWL are Job security & reward system .It concerns about the training and career enhancements, participation in decision-making, operations and environment. It promotes employee satisfaction, improvement of working conditions and organizational effectiveness. But management is facing consequence of incorporation of quality work in policies, application in procedures, leading style and operations. The duty of the management is to determine such elements and sort out circles that affect the efficiency and quality of work life of the employees.

## **7.4. Transparency**

Lord Ram was very transparent with his kingdom. That’s why we again and again remember the word “Ram Rajya”. But in current scenario generally, transparency is critical for corporate accounting and statements. In India big companies are starting for publishing their gain and regain the confidence of shareholders and consumers in all aspects of business. But the names are very few in counting. The companies must practice for transparency for the all aspects of business. Then only we can regain “Ram- Rajya” again, where all are become happy.

## **7.5. The Journey of People Management**

Human resource management is not a new concept for Indian environment, but it has been started with journey named people management , in which recruitment's , selections, training & development, Talent Branding, motivation & moral improvement, discipline, safety & health and completed with joint consultation & wage Policies. All these was included in Ramayana as “Social Capital”, without gaining social capita, journey cannot be completed. Now a day this is called as “Human Capital Measurement”.

## **7.6. Globalization**

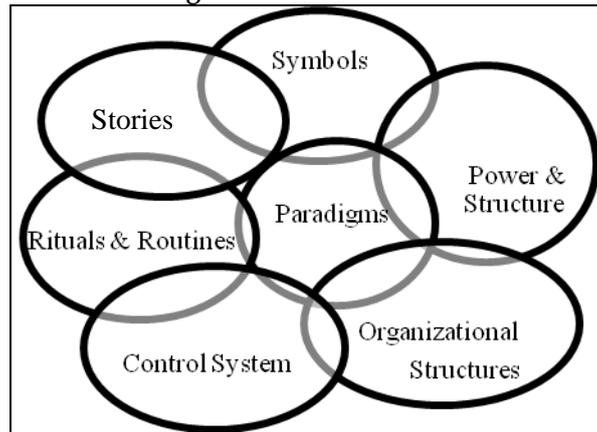
Moreover, with the globalization of many industries in the 1980s and 1990s, International competition had been increased because of five basic functions –planning, organizing, staffing, leading, and controlling. Economic globalization makes skills .Other contemporary issues in management include productivity, quality, innovation, and ethics, some of which also stem from globalization. Due to International competition, concern for quality, & forcing managers of a variety of companies, such as automobile, computer, and electronics manufactures, to strive for

greater quality has been developed. So it became necessary for companies to act in a socially responsible manner, where actions and policies are ethical, particularly in the areas of the environment and human rights.

### 7.7 Cultural Audit

Cultural audit is described by “Johnson & Scholes” by figure to maintain organizational culture, where Lord Ram also believes on that –

**Figure: 2.** Cultural Audit



### 8. CONCLUSION

The topic which we chosen “A New Look of Dharma & Karma: Social & Ethical Sense of Management for Management” is the mixture of Dharma & Karma. Dharma developed the sense of ethical values and Karma displayed “Ram- Rajya” To meet global competition, we must be better than our counterparts. To constitute our social & ethical sense, we must develop the leadership quality & polices in which values & performance are on priority. For application of our rich Indian tradition, we have to maintain our ethical & social values in every sense and better manner by utilizing our traditional knowledge & techniques. Theses are the individual’s responsibility. The aim of this paper is only awakening for ethical values, which is going to be disappeared in this global era. To achieve peace & growth, like Ram- Rajya, we must conclude and say that we are using only application part of management system of Indian tradition. . The terminologies are new, but techniques are too old. We must adopt management system of Indian tradition like management. SSo “Old bottle is full of new wine”.

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## Impact of Self- Help Groups Bank Linkage Programme in India

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### Abstract

*Self-Help Group means a group of 10-20 members which may or may not be registered representing financial intermediation, but the financial intermediation is not the only primary objective of the groups. The motive is to combine the access to low-cost financial services with a process of self management and development. NGOs or Government agencies usually form and support these SHGs. The members of these groups save the amount which is used for loans. In spite of considerable expansion in the branch network, a large share of India's population continues to remain outside the formal banking system. Due to widespread rural bank branch network, the SHG-Bank Linkage Programme is very suitable to the Indian context. Although various alternative ways are being experimented in order to meet the objectives of financial inclusion. The SHG-Bank Linkage Programme is considered as most successful, promising and widely accepted model in India. Self Help Group- Bank Linkage Programme- a pilot project started by NABARD is widely accepted model as one of the largest and successful one in the world. The present study is analytical and based upon secondary data which has been collected from different published reports, journals and existing available literature. The objective of this study is to evaluate the progress and impact of self help group bank linkage programme.*

**Keywords:** Growth, Models, Self-Help Group, SHG-Bank Linkage Programme

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## **1. INTRODUCTION**

The Self-Help Group (SHG) movement originated in Bangladesh under the Leadership of Noble Laureate Mohamed Yunus. It is a noble mission- an innovative concept that has its roots in Bangladesh and also touched every part of the globe. In order to achieve the mission of reaching those families who did not access to credit by any formal financial institution and, therefore, were dependent on informal sources and moneylenders, the National Bank for Agriculture and Rural Development (NABARD) introduced the "SHG - Bank Linkage Programme" as a pilot project in 1992. Thereafter, RBI had advised commercial banks to participate actively in this programme. Subsequently, this programme was further extended to all Regional Rural Banks (RRBs) and cooperative banks. SHGs through the network of commercial banks, RRBs cooperative banks, NABARD and NGOs has been largely supply driven as well as a recent approach in the provision of financial services to the poor. This paper is an attempt to analyse the SHGs movement in India as these are helpful in order to alleviate poverty and women empowerment. The present study is analytical and based upon secondary data which has been collected from different published reports, journals and existing available literature. The objective of this study is to evaluate the progress of self help group bank linkage programme.

### **1.1 Self Help Group**

Self Help Group means a group of 15-20 members which have become a common vehicle of development covering various development programmes. Financial intermediation is not the only objective but the purpose behind this is to combine the access to low cost financial services with a process of self management and development. SHGs are usually formed and supported by NGOs or Government agencies. SHGs are small, informal and homogenous groups of not more than 20 members each. Any group larger than the size of 20 members has to be registered under Indian legal system. So it is recommended to be informal to keep them away from bureaucracy, corruption, unnecessary administrative expenditure and profit motive. Groups are also expected to be homogenous so that members can participate freely without any fear as well as conflict of interests. SHGs have also emerged as a powerful device and an effective medium for delivering credit to the poor in the rural economy. It helps in poverty alleviation and women empowerment. Self-help groups (SHGs) movement has triggered off a silent revolution in the rural credit delivery system in India.

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

The Self-Help Group Bank Linkage Programme (SHBL) which started as a pilot programme in 1992 has developed at a very fast rate with time. SHG-Bank Linkage Programme was started on the basis of the recommendation of S K Kalia Committee. While the SHG-bank linkage Programme has experienced exponential growth over the past decade, there remain large regional disparities in the growth of the SHG movement with limited progress in certain regions. Though the SHG-Bank Linkage Programme contributed to improve economic conditions, social change was not as apparent, and there are concerns of sustainability and further development of self reliance of the institutions. The SHG-Bank Linkage Programme has the following objectives:

- To develop mutual faith and confidence between the rural poor and bankers.

- To combine sensitivity, flexibility and responses of the informal credit system with the strength of administration capabilities, technical strength and the financial resources of the formal financial institutions.
- To expand credit flow/ financial services to the rural poor with less transaction costs.
- To alleviate poverty and empower the women.

## **2. MODELS OF SHG-BANK LINKAGE PROGRAMME**

The strategy behind these models is to form small, cohesive and participative groups of the poor and encourage them to pool their savings regularly and use the pooled savings in order to make small interest bearing loans available to the members. Bank credit facility also available to the group to augment its resources for the purpose of lending to its members. The SHG-bank linkage program has proved to be the major supplementary credit delivery system with a wide acceptance by banks, NGOs and various government departments. There are three models of SHG-bank linkages that have evolved over time, especially in India.

### **2.1 MODEL -I. SHGs formed and financed by banks**

In this model, banks themselves take up the work of forming and nurturing the groups, opening their bank accounts and providing them with bank loans after satisfying themselves as to their maturity to absorb credit. Upto March 2006, about 20% of the total number of SHGs financed was from this category. This shows an increase of 61.63 percent in bank loan to SHGs over the position as on March 2005 reflecting an increased role of banks in promoting and nurturing SHGs. Here, the banks act as the SHGPI.

### **2.2 MODEL- II. SHGs formed by NGOs and formal organisations but directly financed by the banks**

In this model, groups are formed by NGOs (in most cases) or by the government agencies. The groups are nurtured and trained by the agencies. The bank then provides credit directly to the SHGs after observing their operations and maturity to absorb credit. While the bank provides loans to the groups directly, the facilitating agencies continue their interactions with the SHGs. Most linkage experiences begin with this model, where NGOs play a major role. This model has also been popular and more acceptable to banks, since some of the difficult functions of social dynamics are externalized. This model continues to have a major share. About 70 percent of the total number of SHGs is financed under this model.

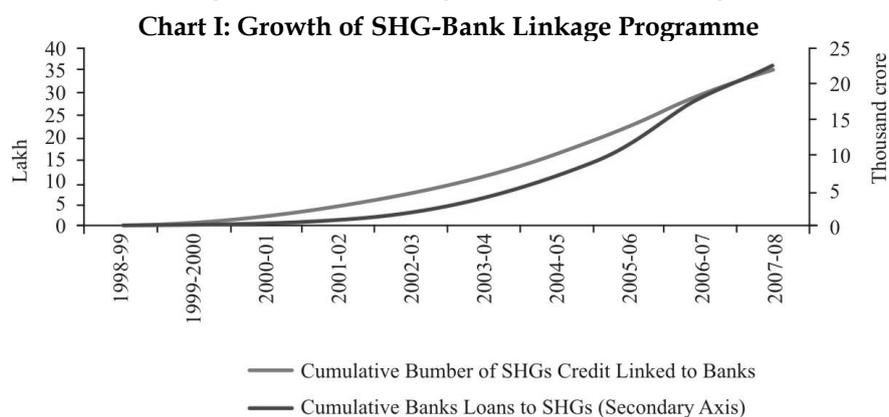
### **2.3 MODEL- III. SHGs financed by banks using NGOs and other agencies as financial intermediaries**

For various reasons, banks in some areas are not in a position even to finance SHGs promoted and nurtured by other agencies. In such cases, the NGOs act as both facilitators and microfinance intermediaries. First, they promote the groups, nurture and train them and then they approach banks for bulk loans for further lending to SHGs. In other words, banks take the sole responsibility for promoting, developing and financing SHGs. In fact, this programme requires considerable effort by the bank staff towards the formation of SHG. This model is not so encouraging.

**Models of SHG Linkages**

Model	Number of Linkages	% of Total	Bank Loans	
			Amount (Rs. In million)	% of Total
1.	13561	14	339.79	18
2.	65636	70	1339.95	69
3.	15448	16	250.10	13

A major share of population in India continues to remain outside the formal banking system inspite of considerable expansion in the branch network. Therefore, various alternative models are being experimented in order to meet the objective of financial inclusion. The SHG-Bank Linkage model is considered a most successful, promising and widely accepted model in India. This model was introduced in 1991-92 with a pilot project of linking 500 SHGs with banks and this figure has gone up to more than 34 lakh by the end of March 2008. Cumulatively, these SHGs have assessed credit of Rs. 22,268 crore from banks during the period. About 4.1 crore poor have gained access to the formal system through the programme. The number of SHGs linked to banks has increased from 32995 during 1998-99 to 3477965 during 2007-08 i.e., during the period of last ten years. It means there is an impressive 68 percent compound annual growth rate. But the compound annual growth rate is almost double each year for the cumulative bank loan to SHGs which is 94 percent. The faster growth in bank loans to SHGs has led to almost a four-fold increase in the average loans per SHG from Rs. 16,816 in 1999-2000 to Rs. 63,926 in 2007-08. These figures reflect the outstanding success of the programme in the Chart 1 given below.

**3. PROGRESS OF THE SHG-BANK LINKAGE PROGRAMME**

NABARD introduced an effective SHG-Bank Linkage Programme in order to provide credit to very small borrowers. The introduction of the SHG-Bank linkage Programme is to discard the general perception of bankers that customers with no formal education or source of income are of no use to the bank and thus are not welcome. Since the year 2000, the statistical data show the rate of growth in SHGs linked under the programme is gradually falling in the year 1999-2000 the growth rate was more than 245% whereas it fell below 38.3% in 2005-06. However, the higher growth in the late nineties may be due to initial penetration of SHGs under the programme. With the formation of new SHGs, the scope is widened which will improve the condition of the poor

households and it should be worked upon. Table 1 given below shows the cumulative progress of SHG-Bank Linkage Programme.

**Table-1: Cumulative Progress of SHG-Bank Linkage Programme (INR in crores)**

Year	SHGs Linked	Bank Loan	Refinance Assistance
1992-93	255	0.29	0.27
1995-96	4757	6.06	5.66
1998-99	32955	57.07	52.09
2002-03	461478	2048.67	796.50
2005-06	2238565	11397.46	4159.70
2006-07	2924973	17967.46	5452.56
2007-08	3477965	26816.72	7068.06
2008-09	4559443	39070.23	9688.09

Note: From 2006-07 onwards, data on number of SHGs financed by banks and bank loans are inclusive of Swarnajayanti Gram Swarozgar Yojna (SGSY) SHGs and existing groups receiving repeat loans.

Source: NABARD Annual Report 2008-09

The above table shows the cumulative progress in this area with the amount of refinance assistance during the respective periods.

#### **4. DISPARITY IN THE SHG-BANK LINKAGE PROGRAMME**

SHG-Bank Linkage Programme was started with the objective of extending the outreach of banking the poor, who mainly comprise of marginal farmers, landless labourers, artisans and craftsmen and others engaged in the small businesses such as vending and hawking. Now the important point is that whether the programme has really made inroads into the regions where concentration of poverty is comparatively higher. And this can be found if we compare the poverty ratio at all India level with the corresponding ratio of various regions.

Earlier, during 2004-05, the all-India poverty ratio stood at about 27.6 per cent while the Northern (15.7 per cent), North- Eastern (19.2 per cent), Southern (19.8 per cent) and Western region (25.8 per cent) had lower than the all-India poverty ratio, Central (35 per cent), and Eastern Region (36.2 per cent) had higher poverty ratios than the all-India level. Now this variation is comparatively changed with the expansion of number of SHGs. Similarly, there has been skewed development of SHG-Bank linkage programme on geographical basis in India.

There is wide regional disparity both in terms of the spread of SHGs linked to banks and cumulative bank loans disbursed under the programme. In March 2008, while the Southern Region accounted for 48.2 per cent of the total SHGs, the share of North- Eastern Region was just 3.4 per cent as depicted in table 2. In terms of share in the total bank loans to SHGs, the region-wise differential gets further magnified.

So far, the SHG movement in the country is mostly south-centric and it is yet to take off in the real sense in other regions of India.

**Table-2: Region-wise Progress of SHG-Bank Linkage Programme (As on March 31, 2008)**

Regions	Share (%) in Programme					
	No. of SHGs	Loans to SHGs (Rs. crore)	Average Loans per SHG (Rs.)	No. of SHGs	Loans to SHGs	SHGs per Lakh Population
Northern	2,30,740	851	36,899	6.6	3.8	156
North Eastern	1,19,520	327	27,364	3.4	1.5	283
Eastern	6,72,626	2,372	35,268	19.3	10.7	274
Central	4,05,707	1,501	36,990	11.7	6.7	142
Western	3,74,561	1,320	35,254	10.8	5.9	229
Southern	16,74,811	15,896	94,915	48.2	71.4	703
All India	34,77,965	22,268	64,027	100.0	100.0	310

Source: NABARD

While the Southern Region accounted for 71.4 per cent of the total loans to SHGs, the share of North-Eastern Region was just about 1.5 per cent. For all regions excluding Southern Region, even though the share of total SHGs linked to banks was close to 51.8 per cent, their share in total loans to SHGs was only 28.6 per cent implying that adequate credit is not being routed through SHGs in these regions. As the regions vary in geographical area and population, the number of SHGs is normalized by the population of the region and therefore, SHG per lakh population is considered as a better indicator of SHG spread in the respective regions. The number of SHGs per lakh population for the Southern Region is 703, which is more than double the average at all-India (310) and almost five times of the Central Region (142).

All these data given in the table shows an impressive growth in southern region followed by eastern, central and others.

The SHG Bank Linkage Model has made considerable progress since its inception in the early 1990s and agency-wise outstanding number of credit linked SHGs and amount of loans with Banks is presented in Table3 given below.

**Table-3: Bank Loans Outstanding under SHG-Bank Linkage Programme**

Agency	2008 - 09		2009-10	
	No. of SHGs (in'000)	Amount (Rs. In Crores)	No. of SHGs (in'000)	Amount (Rs. In Crores)
Commercial Banks	2831	16149	3237	20165
Regional Rural Banks	978	5224	1104	6144
Cooperative Banks	415	1306	510	1729
Total	4224	22679	4851	28038

Source: Status of Microfinance in India 2009-10

Banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loans of Rs. 14,453 crores during 2009-10. Out of the total loans disbursed during 2009-10, SHGs financed under SGSY accounted for 2.67 lakh (16.9%) with bank loan of Rs. 2198.00 crore (15.2%). As on March 2010, the average loan amounts outstanding per SHG and per member were Rs. 57795 and Rs. 4128 respectively. The estimated number of households covered under the Self Help Group (SHG)-Bank Linkage Programme was 9.7 crores up to 31 March 2010.

#### 5. CURRENT POSITION OF SHG-BANK LINKAGE PROGRAMME

Though there are different models for purveying microfinance, the Self-Help Group Bank Linkage Programme has emerged as the major programme in the country. It is being implemented by commercial banks, regional rural banks (RRBs), and cooperative banks. In 2009-10, 1.59 million new SHGs were credit-linked with banks, and bank loan of Rs. 14,453 crore (including repeat loan) was disbursed to these SHGs. Further, about 6.95 million SHGs maintained savings accounts with banks at the end of March 2010. 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 continuous increase in the amount of credit outstanding per SHG, there was a fluctuating trend in the amount of saving per SHG in the recent years.

According to the Status of Micro Finance in India 2009-2010 released by The National Bank for Agriculture and Rural Development (NABARD) there are 69,53,000 SHGs in the country savings linked with banks and 48,51,000 SHGs having loan outstanding as on 31 March, 2010. The estimated number of households covered under this model is about 970 lakhs. The total savings amount of all the SHGs with banks as on 31 March, 2010 amounts to Rs.6198.71 crore and the total amount of loans outstanding against SHGs as on 31 March, 2010 is Rs.28038.28 crore.

**Table-4: New SHGs Financed by Banks during the Year**

Year	New SHGs Financed by Banks during the Year		
	No. (lakh)	Amount (Rs. crore)	Growth (%)
2007-08	12.28	8,849.26	---
2008-09	16.09	12,256.51	38.50
2009-10	15.87	14,453.30	17.90
2010-11	11.96	14,547.73	0.65

Source: National Bank for Agriculture and Rural Development (NABARD)

Under the SHG-Bank Linkage Programme as on 31 March, 2011, Rs. 74.62 lakh SHGs held savings bank accounts with total savings of Rs. 7,016 crores as against 69.53 lakh SHGs with savings of Rs.6, 199 crores as on 31 March, 2010. By December 2011, another 2.98 lakh SHGs have come under the ambit of the programme, taking the cumulative number of saving-linked groups to 77.60 lakh SHGs. As on 31 March 2011, 47.87 lakh SHGs had outstanding bank loans of Rs. 31,221

crores, as against 48.5 lakh SHGs with bank loans of Rs. 28,038 crore as on 31 March, 2010. This represents a decline of 1.3 percent in the number of SHGs and a growth of 11.4 percent in bank loans outstanding to SHGs as per table 4 given above. During 2011-12, (upto December 2011), 4.51 lakh SHGs have been financed with an amount of Rs. 6,791.46 crore. Thus, the SHG-Bank Linkage Programme is considered as the largest financial inclusion programme in the world.

## **6. CONCLUSION**

SHG-Bank Linkage Programme is developed in India to provide finance to the vast rural poor. In this programme, the informal SHGs are credit linked with the formal financial institutions. The SHG-Bank Linkage Programme has emerged as a dominant, relevant and effective programme in terms of borrowers and loans outstanding in India. It is flexible, independence creating, and imparts freedom of savings and borrowing according to the heterogeneous needs and requirements of the group members.

Through this programme, the Reserve Bank of India and NABARD have tried to promote relationship banking, i.e., "Improving the existing relationship between the poor and the bankers with the social intermediation of the NGOs." The SHG-bank linkage program in India is rapidly expanding its outreach under the pioneering initiative of NABARD, the monitoring and supervision of RBI, and the promotional policies of the government of India. At the grass root level the programme is being implemented by the commercial banks, cooperatives, and regional rural banks, with government agencies. Today Self-help groups (SHGs) play a major role in poverty alleviation in rural India. SHGs have changed the life of many individuals or groups for the better. This is considered not only a tool for poverty alleviation, but also has proved to be relevant in offering women the possibility to gradually break away from the exploitation and isolation in India. The SHG-Bank Linkage Programme has provided a more favorable environment for enhancing India's potential for greater equitable growth with empowerment while considering the positive signs in their performance.

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## Development of Activities Model for Promoting Healthy of Aging in Thailand and Japan

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### Abstract

The study of the current situation and problems of organizing activities of healthy promotion for aging in Thailand found that the village still did not have any aging healthy promotion model with the whole dimensions of aging development. Actually, there were some activities that people of any ages could participate but those activities had been stopped. In Japan, the study found that the activities were healthy activity and social activities.

The problem is that there were not enough participants, no clear plan of activities and no budget and stopped when the budget ran out.

The study of types of activities to promote for aging in Thailand and Japan found that it is necessary to promote physical activities, social activities and economic activities.

The results of developing the models could be shown in 3 models as physical model, social model and economic model. All the formulated models were implemented in forms of healthy development activities for three months. The physical model included 3 activities such as: exercising, playing games, attending trainings for healthy promotion of knowledge. The social model comprised 5 activities such as: group meetings on the Buddhist observance day, visit to nine temples for Buddha worship, New party, study visits for the aging healthy promotion, and activities on the aging day. The economic model included 2 activities such as: a training for making the DOK MAI JUN (Sandal wood flower) for the cremation, herb preservation training.

The result of assessment used questionnaires and interviews of aging people who joined the activities for the degree of satisfaction, knowledge, and usefulness that they received from the activities. The assessment also found that the happiness points of aging were at 33 as the lowest and at 54 as their highest point, which was higher than that of the general standard of Thai psychological health, which is between 27.0 through 32.0 points. The finding of this research showed that aging people who participated in the proposed healthy promotion activities were happier than others in general.

**Keywords:** healthy aging, activities model for promoting healthy, developing the models

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## **1. INTRODUCTION**

One of the population trends is the aging society. The aging population (aged 60 years and over) has increased. The rate increased from 10.0 percent in 2000 to 15.0 percent (approximately) in 2025. While the population of children (aged 0-14 years) decreased from 30.1 percent in 2000 to 24.2 percent (approximately) in 2025. There are countries where the proportion of aging people is very high in countries, namely Greece, Italy, Japan, Germany and Switzerland. Japan is the only country in Asia where the proportion of aging people is very high in the world.

The aging of Japan outweighs all other nations with the highest proportion of aging citizens, 21% over the age of 65 in 2005. In 1989, only 11.6% of the population was 65 years or older, but projections were that 25.6% would be in that age category by 2030. However, those estimates are updated at 23.1% (as of February 2011) are already 65 and over, and 11.4% are 75 and over, now the world's highest (though 2010 Census age results have not yet been released). The change will have taken place in a shorter span of time than in any other country. The age 65 and above demographic group increased from 26.5 million in 2006 to 29.47 million in 2011, a 11.2% increase. The Japanese Health Ministry estimates the nation's total population will decrease by 25% from 127.8 million in 2005 to 95.2 million by 2050. Japan's aging population, aged 65 or older, comprised 20% of the nation's population in June 2006, a percentage expected to increase to 40% by 2055. (Wikipedia),

Old age brings many changes with it such as physical, mental, emotional, social, and environmental. Some people may not be able to accept the changes; therefore, there is higher opportunity for these people to be more depressed than the younger people. Reportedly, there are approximately 30% of older people with the age over 60 have experienced severe depressive illnesses at least once with effects to their healthy state. However, it is widely believed that the symptom of depression is normal for the aging so most people do not pay attention to it. Consequently, the aging feel more suffering. In fact, the depressive illness in the aging can be avoided and prevented if they are well-prepared both physically and mentally to accept all the changes that are going to arise. If the aging is informed of how to do when being depressed, they will be able to handle the problems, adaptable to all the changes and live their lives worthy and happily with good quality of life. On the contrary, if they are neglected, they may be so much in depression that it is needed to have treatment from the psychiatrist otherwise an unexpected damage to the aging people, themselves, and their families may not be able to avoid (**Brien, 1975**). From the above mentioned discussion, it can be seen that old people are facing health problems, feeling depressed and desperate, both physically and mentally. Therefore, the aging health supporting policy covering all aspects includes physical, mental, emotional, and social is required to serve the aging's needs of healthy state, self-reliance, so that they can spend the rest of their life worthy and happily in the society. Thai aging is considered valuable. They are not a burden on family, community, and Thai society. Therefore, it is suggested that this group of people should be promoted to lead other people to take good care of their health with standardized healthy promotion model. Being physically and mentally healthy, the aging group will be strong and able to take good care of their health and peers. The use of small note book for recording the state of health will be helpful for the aging to observe their health consistently. The aging will have a longer life without being burden on the family and the community, but feel valuable, and

can make full utilization of their free time. The system of transferring aging patient from a hospital to a community is a factor in promoting the aging health (Miller, 1995).

The Ministry of Public Health has implemented a strategy on aging health promotion which includes preventive healthcare, basic self-care, learning to live together, and strengthening aging organization, encouraging the full utilization of personal potential in aging for a better living with dignity which would bring happiness, liveliness, hopefulness, and worthiness into their lives. This would make them feel proud of themselves for being of benefit to the family members, the community, and the aging society, during the rest of their lives. Therefore, the aging should not waste their time just waiting for the transition into old age. They should live their lives in a meaningful and dignified manner.

Of these is the need to develop a model of health promotion activities in Thailand, the needs of the community by using the knowledge of Japan to be integrated with studies in Thailand. The results of this study can be used as guidelines for activities to promote health among the aging. They will feel proud of themselves, happy, lively, hopeful, and worthy for the rest of their lives.

## **2. OBJECTIVES**

- 1 To study the current situation and problems of organizing activities of healthy promotion for aging in Thailand and Japan.
- 2 To study a types of the activities to be promoted for aging in Thailand and Japan.
- 3 To develop activities model for promoting healthy of aging in Thailand by the public participation approach.

## **3. SCOPE OF RESEARCH**

### **3.1 Content**

The content of this research was dealing with:

The development of activities model for promoting health of aging covering the aspects which included physical, mental, social, and economic with 3 scopes of work: (1) healthy activities (2) social activities and, (3) economic activities

### **3.2 Target Group**

The target groups in Thailand were: (1) old people who were able to answer to the questionnaire consciously were the group for the evaluation of the aging's healthy state, (2) old people with healthy problems from the above mentioned group were selected for in-depth interview, (3) people consisting of the aging in the study area, and all the units concerned which were the community leaders, village health volunteers, Tambon administrative officers, staff from community public health centers, and the head of community development were the group for group discussion, and (4) the people aging during 60-70 living in the study area, able to do the activities were selected to participate in the experiment of the models.

The target groups in Japan were: (1) old people in urban and rural areas and (2) officers and directors of relevant departments.

#### **4. BENEFITS OF THE STUDY RESULTS**

1. To be used as a healthy practice for the aging; the result of the research and the academic discussion will be applied to the practice for promoting a proper physical exercise for the aging to have better quality of life
2. To be developed as a body of knowledge on healthy promotion behavior for the aging
3. To be used as a practice for promoting aging health in other communities and developing other health promotion behaviors for the aging
4. To have a healthy innovation for a community and to be the public information used as a guideline for defining the aging behaviors
5. To have an integrated spatial planning model on healthy promotion for the aging with participation of the community
6. To have a community-base information in setting up a policy for healthy promotion of the aging
7. To be a guideline for the units concerned in developing a healthy promotion model for physical exercise in the aging

#### **5. LITERATURE REVIEW**

Ageing (British English) or aging (American English) is the accumulation of changes in an organism or object over time. Ageing in humans refers to a multidimensional process of physical, psychological, and social change. Some dimensions of ageing grow and expand over time, while others decline. Reaction time, for example, may slow with age, while knowledge of world events and wisdom may expand. Research shows that even late in life, potential exists for physical, mental, and social growth and development. (**Bowen and Atwood, 2004**) Ageing is an important part of all human societies reflecting the biological changes that occur, but also reflecting cultural and societal conventions. Roughly 100,000 people worldwide die each day of age-related causes (**Aubrey and Grey, 2007**).

Age is measured chronologically, and a person's birthday is often an important event. However the term "ageing" is somewhat ambiguous. Distinctions may be made between "universal ageing" (age changes that all people share) and "probabilistic ageing" (age changes that may happen to some, but not all people as they grow older including diseases such as type two diabetes). Chronological ageing may also be distinguished from "social ageing" (cultural age-expectations of how people should act as they grow older) and "biological ageing" (an organism's physical state as it ages). There is also a distinction between "proximal ageing" (age-based effects that come about because of factors in the recent past) and "distal ageing" (age-based differences that can be traced back to a cause early in person's life, such as childhood. (**Stuart-Hamilton and Ian, 2006**).

Differences are sometimes made between populations of aging people. Divisions are sometimes made between the young old (65-74), the middle old (75-84) and the oldest old (85+). However, problematic in this is that chronological age does not correlate perfectly with functional age, i.e. two people may be of the same age, but differ in their mental and physical capacities. Each nation, government and non-government organization has different ways of classifying age.

Population ageing is the increase in the number and proportion of older people in society. Population ageing has three possible causes: migration, longer life expectancy (decreased death rate), and decreased birth rate. Ageing has a significant impact on society. Young people tend to

commit most crimes; they are more likely to push for political and social change, developing and adopting new technologies, and need education. Older people have different requirements from society and government as opposed to young people, and frequently differing values as well. Older people are also far more likely to vote, and in many countries the young are forbidden from voting. Thus, the aged have comparatively more political influence.

## **6. RESEARCH DESIGN**

The study was conducted with the application of both qualitative and quantitative research methods. The emphasis was put on the qualitative one. Participatory Action Research (PAR), focus group discussion, brainstorming meeting, related documents, in-depth interview, and participatory observation were applied on the part of qualitative research. A community survey and a questionnaire were used for the quantitative method.

## **7. INSTRUMENTS**

1. The health checklist developed by the research, and the standard checklist for happiness developed by the Department of the Mental Health was applied.
2. An in-depth interview of the management on healthy policy for the aging in community, and an in-depth interview of the aging, the public health officers, and the village health volunteer were used to obtain the information on the condition of the healthy promotion for the aging in the community.
3. A questionnaire on the participants' satisfaction and knowledge received after the activity was used. The questionnaire was designed for the informants to freely answer according to how they felt.
4. Participatory observation form
5. Aging group discussion on their need of aging activities in the community
6. Brainstorming meeting of activities model for promoting health of aging in the community

## **8. RESEARCH PROCEDURE**

The research procedures are as follows

**Stage 1** Studying the condition and the problems of the healthy promotion activities for the aging in Thailand and Japan by using the following methods:

1. In-depth interview with the aging, the public health officers, and village health volunteers on the operation and the condition of healthy promotion for the aging in the community.
2. In-depth interview with the village leaders, the Municipal administrators, public health chief, etc, on the policy of healthy promotion activities for the aging in the community.

**Stage 2** studying types of the activities to be promoted for aging in Thailand and Japan by using the following methods:

1. In-depth interview with the village leaders, the administrators, public health chief, etc, on the types of the activities they have to promote for aging in Thailand and Japan
2. Documentation related to the policy development activities of the aging in Thailand and Japan.

**Stage 3** Designing the models of healthy promotion activities for the aging with application of the following methods:

- 1 Brainstorming meeting with participatory action of all the units concerned in the community in order to have the models and the practical guideline of healthy promotion for the aging
- 2 Setting up an action plan based on the outcome of the brainstorming meeting; the planned activities were designed to cover physical, social, and mental aspects of healthy promotion for the aging.
- 3 Group discussion with the leaders of the aging group and the related people to obtain a practical guideline in taking the plan into action with suitable activities required by the aging

**Stage 4** Operating the activities in the action plan following are the below procedures:

1. Meeting with the aging to advise the detail of the activities
2. Operating the activities in the action plan by assigning a job and responsibility to the working team members. The activities were divided into different aspects: health (physical exercise, and health knowledge training), emotion (group activity, and recreation), society (party and entertainment), and economy (vocational training)
3. Tracking the status of the activities

**Stage 5** Evaluating the outcome of the activities

At this stage, all the activities were evaluated after the operation of all the activities. The instruments were the same as those used before commencing the activities which consisted of the questionnaire, the interview, the checklist of the aging health condition and happiness.

## **9. DATA VERIFICATION AND ANALYSIS**

The qualitative data were to be verified via triangulation with consideration of time, place, and subject in case these factors vary. The analysis of data was conducted by both qualitative and quantitative methods as follows:

1. Quantitative analysis was done by analyzing the data obtained from the checklist and the questionnaire, coding, and recording the data with application of SPSS PC for Window to calculate for the percentage, the arithmetic mean ( $\bar{x}$ ), and the standard deviation (S.D.).
2. Qualitative analysis was done through the content analysis method. The data collection and primary analysis were made at the same time. At the end of each data collection phase, the data were recorded thoroughly and categorized for further analysis, and concluded with descriptive research report.

## **10. STUDY RESULT**

### **10.1 The Result of the study on the current situation and problems of organizing activities of healthy promotion for aging in Thailand and Japan**

For the health promotion activities for the aging in Thailand, the physical exercise activity- Aerobics Dance - was promoted for all to participant daily. Presently, the activity is no longer performed because of few participants. It was found that there was little number of aging joined the dance. Most of them were not interested in it.

The difficulty in operating the activities due to no interest, and no cooperation from the participants was the unsolvable problem which led to the end of the activity at present.

In Japan, we found that the health promotion activities for the aging, healthy activities; exercise and sport and social activities: home visits, promotion of group activities, gatherings on special

occasions, such as respect for the aging, cooking, baking and crafts including recreational activities such as singing, drawing, etc.

**10.2** The result of problems of health promotion activities found that there are many problems in the following. 1) The problem from aging; the problems of health. 2) Problems of children and family: family lacks of understanding and empathy 3) the problem from care givers: care givers are not sufficient. 4) the problem from the place of residence and activities : the location is not right 5) environmental problems : environment is not good and 6) social problems : aging are being deceived.

**10.3 The Result of the Study on the type of activities to be promoted aging in Thailand and Japan.**

- 1) Healthy activities consisted of (1) exercise (2) training on health education, and (3), amusement and recreation such as playing games.
- 2) Social activities consisted of (1) Reduction in quitting vices (2) behave as a good citizen (3) exercise should be to concentrate (4) sitting meditation practice.
- 3) The Result of the development of activities model for promoting healthy of aging in Thailand

**10.4 The Result of the development of activities model for promoting health of aging in Thailand**

The results of developing the models could be shown in 3 models as physical model, social model and economic model. All the formulated models were implemented in forms of healthy development activities for three months. The physical model included 3 activities: exercising, playing games, attending the trainings for health promotion knowledge. The social model comprised 5 activities : group meetings on the Buddhist observance day, visits to nine temples for Buddha worships, New party, study visits for the aging health promotions, and activities on the aging day. The economic model included 2 activities: a training for making the DOK MAI JUN (Sandal wood flower) for the cremation, herb preservation training. The result of assessment used questionnaires and interviews of the aging that joined the activities for the degree of satisfaction, knowledge, and usefulness that the aging received from the activities. The assessment also found that the happiness points of aging were at 33 as the lowest and at 54 as the highest their highest point was higher than that of the general standard of Thai psychological healthy which is between 27.0 through 32.0 points. The finding of this research showed that the aging who participated in the proposed health promotion activities were happier than others in general standard.

**11. DISCUSSION**

It was found that there were 3 models of health promotion for the aging. All were applied to the target group which was the aging in the study area. The 3 models were as follows:

**11.1 Model of Health Promotion**

Health promotion included physical exercise, health games, training for healthy promotion knowledge, and health market. The operation of all the activities was conducted according to the schedule agreed by all the participants. The operation result showed that the aging consistently

participated in the activities. It was found that the aging mostly participated in the physical exercise activity for over 5 times as there were many types of exercises provided. They could choose the exercise activity they enjoyed the most for example some might not like Tai Chi exercise, they would take their choice to do stick exercise instead. Most aging people participated in healthy games. However, some games could not be accommodated at all. The result of the training for health promotion knowledge showed that only some of the aging participated in the activity due to no interest in the topic. For the health market activity, it was found that all participants joined the activity since they received maximum benefit from it for example body check-up, dental treatment, free medicine, and etc, and they could get the hospital service of the community. The behaviors in participating in the provided healthy activities served the healthy promotion concept of Pender's (Pender, 1996) which concluded that the health promotion behavior would be initiated when people had understood that the action would bring them benefit and it was possible to do without difficulty influenced by the intimate and the environment.

The above results led the community; especially, the aging to take action on health promotion. The aging were encouraged to do physical exercises, to participate in the training for healthy promotion knowledge with emphasis on the daily healthy self-care which the aging were able to do them. All the above mentioned activities had never previously been provided for the community.

### **11.2. Model of Mental and Social Health Promotion**

The activities applicable to this model were religious day meeting. The aging people were mostly joined the event especially during the Buddhist Lent period since they were happy and felt comfortable when attending the religious activities under the peaceful atmosphere in a temple. They also had a chance in chatting with their peers, exchanging experiences, and helping one another solving problems. In Thai society, there is a norm that the aging people were to have placed their interest in religion more than others. The study result was corresponding to the guideline on developing happiness proposed by Bunlou (1997) that attending to Dhamma instructions and discussion in a temple made to the aging stay calm in peace and happiness. For the activity of 9-temple worship, it was raised by the participatory meeting that the 9-temple worship was the ultimate dream that the aging had desired. Some had never done such religious practice even once. Some had never left the community before. Therefore, this activity brought them happiness, pleasure, and excitement. They had a chance to step out of the community world to explore new experience in some new places. They enjoyed the trip, the religious practices, and felt relaxed. Nitipat (2009) proposed the guideline to ease the tension in the aging people by encouraging them to go for vacation, spending their time among the nature with clean air. The activity had, moreover, provided them an opportunity to make new friends and exchanging ideas with one another. The study visit was considered a strategy for creating the participatory action in building up a public common sense and motivation through the learning process. The knowledge management discussion among the groups from different organizations outside the community during the study visit on the group management model helped to widen their knowledge on group management, and financial management for an activity operation. It was found that the aging group had managed their group efficiently. The last activity was the Day of

Aging which all the aging people were paid respect by the young people who were pouring scented water on the aging's hands and requested for a good wishes on the occasion of Songkran day, Thai New Year. They were also given a New Year gift on this day.

The outcome of these activities can be a foundation of health promotion in a community since the good health will always be with the happy mind. Therefore, the happy state of mind will always bring a healthy body like said in the statement: 'mind is a boss, body is a slave'. The development of body health must start from the development of mental health.

### **11.3 Model of Economic Health Promotion**

Economy is very important for the aging as they have to rely on themselves, no children to take care. Besides, the birth rate is getting lower. Some aging stay single. Therefore it is necessary for them to have an occupation to earn some money for a living, not being a burden to the society. The activities to serve the economic purpose were the sandalwood flower training as required by the group. After the training, the group agreed to get together on Saturdays for making the sandalwood flowers for sale at the shops in the community. The activity did not just generate income to the group, but also helped them make utilization of the free time, provided an opportunity for them to strengthen their relationships by sharing ideas, chatting and singing together while working. All had the same purpose that was to produce the sandalwood flowers to raise some fund for the 9-temple worship activity. This determined goal led them to conduct the same behavior in producing the sandalwood flowers. For the herb product training, the result showed that only some participated in the activity due to other engagement like harvesting. Some had to work in the rice field since there were no children to help. The last activity was about the sweet and snack training which was very popular as such activity was conducted once long time ago; so, redoing the performance reminded their joy when doing the activity in the past. The study produced the result that is corresponding to Nitipat Mekkhachorn's concept on development of happiness for the aging (2009, on-line) which proposed a guideline to create happiness by the utilization of the free time with the favorite activity like the proper hobby to the person's age and health; for example, producing artificial flowers, listening to music, doing religious practices, writing, reading, playing computer games doing some housework or the activities in the club, making some sweet and snack, as well as carving and weaving for sale. Such activities will not only keep the aging occupied, joyful, relaxed, and peaceful, but also increase their income which ultimately was the benefit of the family and society.

Although this economic model was not previously set up to promote the health, the researcher opined that it was very important for the aging society in the modern world. The aging needed to have some personal skill so that they could have economic self reliance. They should have occupation to get income. This aspect is corresponding to the policy on developing the aging by encouraging them to be occupied. To be supportive to the policy, the government has opened various forms of occupational markets for the aging.

## **12. RECOMMENDATION**

### **12.1 Recommendation for Utilization of the Study**

- 1) The study result on the healthy promotion model for the aging in the aspects of: health, society, mentality, and economy, are possibly applicable to other communities.

- 2) Recommendation on development of the group:
  - a. To develop the empowerment of the aging group, it is necessary that the members should have a unity and extend cooperation to the management.
  - b. The study visit to the successful group should be arranged to serve the collaborative learning and create external network of cooperation.

### **12.2 Recommendation of Further Study**

- 1) Mental health promotion for the aging should be studied.
- 2) A study for creating an innovation on healthy promotion for the aging in community with its evaluation after experiment is recommended.

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## India: Key Emerging Market for Hospitality Industry

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### Abstract

*Leisure, as well as business travel is on the upswing as a result of the improving global economy. Emerging economies viz. China and India will be at the center of growth for Hospitality Industry in the next decade. International hospitality leaders are adopting various strategies to create their impact in the emerging markets. The key challenges faced by the hospitality industry are brand differentiation, lack of infrastructure, vexatious regulations, changing demographic drive, crisis management, shortage of skilled human resource and sustainability. This paper takes an overview of Indian Hospitality Industry as a key emerging market for global hospitality. It is an attempt to give suggestions to face the challenges before hotel industry and maximise its performance in India.*

**Key Words:** Hospitality, India, Key Emerging Market, International Brands in India.

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## 1. INTRODUCTION

The hospitality industry is a service-oriented industry. The hotel provides the use of the room for the duration of the time that the customer has paid for. Perishability is the key feature of this industry. Service products vary from one experience to the next, from customer to customer, as well as for the same customer from one occasion to the next.

The hospitality industry is extremely sensitive to economic cycles. Asia is anticipated to account for more than 41.0% of the worldwide growth in outbound travel and tourism for the next decade. Within the BRIC countries (Brazil, Russia, India and China), a middle class that is eager and able to travel is developing. According to a recent Bloomberg survey, China, Brazil and India are preferred places to invest globally. The projections by Goldman Sachs that as many as 2bn people may join the middle class by 2030, and that the BRIC and N11 economies may represent as much as 60% of the world's GDP by 2050, suggest that there are significant opportunities for expansion.

China and India, fuelled by the economic strength, their respective middle classes are expanding and increasing the amount of disposable income they have available for international travel. The greatest future potential in these markets will lie in developing mid-market and economy-branded products aimed at the domestic travellers. India has over 563 million domestic travellers, inbound arrivals of 5 millions.

### 1.1 Objectives of the Study

1. To take an overview of Indian Hospitality Industry.
2. To enlist the strategies taken by International Brands to show presence in Indian Hospitality Market and increase their market share.
3. To suggest measures to succeed in Indian Hospitality Market.

### 1.2 Methodology

This study is based on secondary data. Researcher has used various journals, research articles, newspapers, internet, books, e-books, reports published by various Research Agencies, etc. for this study.

### 1.3 Literature Review

The history of the hotel industry is as old as the history of tourism and travel industry. In fact, both are two sides of the same coin. Both are complementary to each other. Hotel is an establishment which provides food, shelter and other amenities for comfort and convenience of the visitors with a view to make profit (**Chakravarti, B.K**).

The concept of travel and halting facilities is quite old in India. In ancient times, people used to travel for pilgrimage or business purposes. For ages, India has been known for its hospitality. Endowed with rich historic heritage, cultural diversity, natural resources and geographical advantage, India remained a big attraction for foreigners. In ancient times, the need of travellers for food and accommodation was met mainly by hospitable householders which are still in existence in interior areas of the country. Domestic tourists were looked after by the pandas or priests. They used to accommodate their clients in dharamshalas or in their own houses at places of pilgrimage like Banaras, Haridwar, Puri and Mathura etc. In general, the attitude of the ancient

Indians towards visitors was influenced by the 'Atithi Devo Bhavah'. It means guest is like God and should be treated accordingly (**R.N. Kaul, 1985**).

After this, the British came to India and Sarais took the form of western style hotels in the important cities of India like Mumbai and Kolkata. During this period, on one hand, we find western style hotels for foreigners and on the other, Indian style hotels for the people belonging to upper and middle class income groups. The old type dharamshalas were still having their importance to serve the needs and requirements of the poor classes (**Negi Jagmohan, 2008**). In the nineteenth century, western style residential hotels were developed in India by British and Swiss families mainly for their own use or for foreign visitors. Mr. Pallonjee Pestonjee is called as the pioneer of the western style hotel in India who opened the first – western style hotel under the name of British Hotel in Mumbai in 1840. By the end of the nineteenth century, many western style hotels were established in India. These hotels were very much popular for their efficient management, unsurpassed cuisine and the excellence of beers and wines. The twentieth century may be called as the beginning of star hotels in India. In this century, big and modern hotels came into existence on account of the advent of big businessmen and new entrepreneurs (**Negi Jagmohan**).

Ernst & Young survey revealed likely targets for hospitality investment in 2008. Emerging markets in Asia are unseating Europe as the epicenter of new hospitality investment and development while investors in the United States are switching their focus from the acquisition of existing hotels to developing new properties. According to the Ernst & Young Hospitality Investment Survey, which surveyed more than 300 investors and industry executives worldwide, capitalization rates for hotel properties are expected to stabilize and possibly even increase over the short-to-mid-term in the US. Even with the dramatic shift in the debt markets over the last few months, hotel industry sector fundamentals continue to be strong. (**Brian Tress of Ernst & Young's Hospitality Advisory Services Group**)

With regard to tourism Indian government has made clear that its objective is to harness the tourism industry as an engine of economic growth and reap its direct and multiplier benefits of creating employment and decreasing poverty in a sustainable manner. In an effort to boost tourism the government has sought to liberalise the aviation sector, rationalise tax rates in the hospitality sector, ensure tourist-friendly immigration and visa services and facilitate in making land available for the construction of hotels. The reason why the government is taking the hospitality industry seriously is as it expects the industry to earn US\$24 billion in annual foreign exchange by 2015 (**Asiamoney, 2007**).

According to Ministry of Tourism, an investment of Rupees one million in the hotel and restaurant sector may create 89 jobs as against 44 jobs in agriculture sector and 12.5 jobs in the manufacturing sector. Investment required to create one job in manufacturing sector is around Rs.79,000 whereas in hospitality industry it is only Rs.11,200. At present about 20 million persons are directly or indirectly employed in tourism related industry and this figure is likely to increase to 40 million by 2020. It amply proves the job potential of hospitality industry in India.

It is very evident from the literature review that hospitality industry in India is growing very fast. Present study is an attempt to take an overview of Hospitality Industry in India as a key emerging market for World Hospitality. This study is also an attempt to present some suggestions to hospitality players to maximise their performance in India.

## 2. INDIA AS A KEY EMERGING MARKET

India has the 2<sup>nd</sup> largest population in the world. India has great long-term potential as an outbound tourism market. The country's tourism is the 3<sup>rd</sup> largest foreign exchange earner, accounting for almost 2.5% of the GDP. International tourism is also increasing popularity with the Ministry of Tourism reporting 10.8 million departures in 2008. The WTO predicts the India will account for 50 million outbound tourists by 2020. Domestic traffic was recorded an 11% rise over that of 2009/10. Under the Incredible India campaign, the government had introduced the Tourist Visa on Arrival Scheme. Over the past six years, FTA into India has shown growth of 42.5% from 3.91 million in 2005 to 5.58 million in 2010. India has been ranked at the second place in global foreign direct investments in 2010 (World Investment Prospects Survey 2009-2012, UNCTAD). In the Union Budget 2011/12, capital allocation to infrastructure has gone up significantly (23%). Good roads and transportation network will improve connectivity and facilitate travel. The introduction of express trains, increase in the frequency of intercity trains, further branching of the railway network to cover more regions and an effective online interface have helped boost passenger traffic over the years. In addition, luxury trains such as the Palace on Wheels, the Indian Maharaja, Deccan Odyssey and the Golden Chariot provide unique experiences and contribute towards attracting high-end foreign tourists to the country. The most significant strategic development in the Indian domestic aviation market is that it is rapidly turning low cost. The overall market share of low-cost airlines stood at 39.6% in March 2011.

**Table-1: Comparative Infrastructural Gap**

Country	China	India	USA	UK
Area (Sq. Km)	9600000	3300000	9800000	200000
Population	1.338 bn	1.157 bn	307 m	61 m
Airports	195	76	419	41
Road network, Total (km)	3600000	3300000	6500000	400000
Road network, Expressway (km)	54000	200	75000	4000
Railways (km)	78000	64000	226000	16000
Internet users	298 m	81 m	231 m	49 m
Telephone - Main lines in use	366 m	37 m	150 m	33 m
Telephone - Mobile cellular	634 m	545 m	270 m	76 m

Source: US Central Intelligence Agency, World fact book, March 2010.

### 2.1 Key Performance Indicators of Indian Hospitality Industry Market are as below:

Occupancy Rate (OR): Rooms sold divided by rooms available multiplied by 100.

Average Daily Rate (ADR): Room revenue divided by rooms sold. Revenue per Available Room

(RevPAR): Room revenue divided by rooms available.

**Table-2: Year wise Performance of Indian Hospitality Industry**

Year	OR	% change	ADR	% change	RevPAR	% change
2005-06	71.5	3.6	Rs 5,444	26.6	Rs 3,892	31.2
2006-07	71.4	-0.1	Rs 7,071	29.9	Rs 5,049	29.7
2007-08	68.8	-3.6	Rs 7,989	13.0	Rs 5,496	8.9
2008-09	60.3	-12.4	Rs 7,837	-1.9	Rs 4,726	-14.0
2009-10	65.0	7.8	Rs 6,426	-18.0	Rs 4,177	-11.6
2010-11	68.0	4.6	Rs 6,800	5.8	Rs 4,624	10.7

Source: HVS Consulting and Valuation Services Report.



## 2.2 Hotel Room Supply

The current total supply of approximately 71,531 rooms is significantly lower than that for other countries. Therefore, India offers huge potential to investors and operators across all segments. The proposed supply figure, has to rise upto 102,438 rooms in 2015/6. Traditionally, India has been associated with the development of luxury and upscale hotels. The increased development in the mid market and budget space will serve the rising domestic & international middle class, as it will improve the affordability of India as a destination. Government of India has taken decision to set up convention centers in multiple locations across various cities, as a part of infrastructural development plan. Ministry of Tourism will consider a grant for financial assistance upto Rs.5 crore for the construction of one convention centre in each state. HVS report gives opinion that domestic hotel brands that have spent several years creating a portfolio of assets across the country will seriously explore going public through IPO in the next 12-24 months, which will provide investors with an option to be part of the hospitality without building physical hotel assets.

**Table-3: City Wise Distribution of Existing & Proposed Branded Hotel Rooms (2010/11-2015/16)**

Major Cities	Existing Supply 2010/11	Proposed Supply 2015/16	Luxury Hotels	Upscale Hotels	Mid Market Hotels	Budget Hotels
Agra	1,439	667	19.5%	16.8%	63.7%	0.0%
Ahmedabad	1,785	2,319	10.8%	43.6%	23.6%	22.0%
Bangalore	5,947	12,509	23.2%	29.0%	29.1%	13.4%
Chandigarh	786	1,855	8.9%	28.4%	58.4%	4.3%
Chennai	4,066	7,819	18.8%	18.4%	35.5%	19.6%
Delhi-NCR	12,708	18,608	20.0%	36.2%	26.8%	10.6%
Goa	3,375	2,154	19.2%	19.6%	40.7%	20.5%
Hyderabad	4,036	5,713	15.4%	21.0%	46.1%	15.5%
Jaipur	2,554	4,867	10.3%	53.0%	25.9%	10.8%
Kolkata	1,588	3,612	23.1%	39.8%	37.1%	0.0%
Mumbai	11,303	12,121	35.7%	20.4%	33.0%	8.5%
Pune	4,691	5,545	12.2%	17.3%	41.9%	27.1%
Other Cities	17,253	24,649	1.7%	31.3%	53.8%	12.7%
Total	71,531	102,438	15.5%	29.5%	37.7%	13.0%

Source: HVS Consulting and Valuation Services Report

**Table-4: Number of Hotels Category wise - 2011**

Hotel categories	No. of Hotels	No. of Rooms
5 star	165	43,965
4 Star	770	134,200
3 Star	505	30,100
2 Star	495	22,950
1 Star	260	10,900
Heritage	70	4,200
Uncategorized	7,078	-
Total	8,707	1,32,885

Source-The Federation of Hotels and Restaurants Association of India

**Table-5: Key players in Indian Hospitality Market**

Company	Type of properties	Brands
Indian Hotels	Luxury, mid-segment and budget	Taj, Gateway, Vivanta and Ginger
ITC Welcomgroup	Luxury, budget and heritage hotels	Luxury Collection, Sheraton, Fortune and WelcomHeritage
EIH	Business hotels, leisure hotels and cruises	Oberoi and Trident
Carlson	Luxury, business hotels, economy and cruises	Radisson, Park Plaza, Country Inns & Suites, Park Inn
Inter Continental	Luxury, mid-segment and business hotels	InterContinental, Crown Plaza, Holiday Inn, Holiday Inn Express, Hotel

Source: Indian Brand Equity Foundation

### 3. STRATEGIES OF INTERNATIONAL BRANDS TO INCREASE MARKET SHARE IN INDIA

**3.1** Currently the top five positions are no longer occupied by only indigenous brands, but by a mix of domestic and international hotel companies. Currently at least 5 domestic and international brands are actively investing in hotel developments. New brands such as Amanda, Satinwoods, Banana Tree, Hampton Inns, Scandium by Hilt and Mandarin Oriental are planning to enter the Indian hospitality industry in joint ventures with domestic hotel majors. Many international hotel brands have entered the Indian hospitality market in the past decade and are now aggressively focusing on their expansion strategies.

**Table-6: International Hotel Brands in India**

Brand	No. of Hotels	Target Date
Carlson	50	2012
Four Seasons	6	2012-13
Starwood	15	2012
Hyatt	10	2012-13
Marriott	24	2012
Wyndham	50	2012
Hilton	75	2015
Intercontinental	41	2012
Fairmont Raffles	15	2012-13
Accor	44	2012

Source: Business Standard

### 3.2 Hyatt Group

Creating a strong presence with our complete brand portfolio: Hyatt group has focused on distribution of our full-service, extended-stay and select service brands in both new and established markets in India, including: 16 Hyatt Regency hotels under development, in addition to 5 already open, 4 Grand Hyatt hotels under development, in addition to 2 already open, 6 Park Hyatt hotels under development, in addition to one already open, 23 Hyatt Place hotels under development, 2 Andaz hotels under development, 1 Hyatt House hotel under development & 1 Hyatt hotel under development. As part of this expansion, Hyatt is seeking to attract and develop high-quality talent in order to drive future growth. Currently, more than 3,500 associates are employed at Hyatt hotels in India & expected more than 7,000 new associates. Hyatt is investing

in training curriculums and accelerated leadership programs to ensure that new associates support the company's mission to deliver authentic hospitality.

### **3.3 Starwood Group**

Starwood continues to widen our long-standing lead in India, which is second only to China in terms of their future global growth. To satisfy the keen appetite for high-caliber global brands of increasing middle class Starwood group is accelerating the expansion of all of their brands across India. In 2012, Starwood will continue its growth momentum from the luxury to mid-market tiers with the opening of ITC Grand Chola, a Luxury Collection Hotel, Chennai, Westin Chennai Velachery, ITC Rajputana, a Luxury Collection Hotel, Jaipur and 2 Aloft hotels. With the opening of the ITC Grand Chola Rajputana, The Luxury Collection brand will have nine hotels in India, making it the brand's second largest market behind only the U.S. Starwood Preferred Guest (SPG): The Company's award-winning loyalty program has grown more than 270% since 2007. Today, SPG members represent almost 50% of hotel guests at Starwood's hotels in India. Starwood opened its first Customer Contact Center in the city of Gurgaon. This is Starwood's 9th global Customer Contact Center globally and the 4th in Asia-Pacific.

**3.4 W and St. Regis to Make Landmark Debuts in India :** The W brand will arrive in India in 2015 with the opening of the W Mumbai and the W Retreat & Spa Goa, which will be followed by the opening of W Noida, Delhi NCR in 2016. St. Regis will make its entry into India with the opening of The St. Regis Noida, Delhi NCR in 2016.

**3.5 Four Points by Sheraton benefits** from the halo effect of the powerful Sheraton brand and its long legacy in India, and will add 2 new hotels to grab India's tech-savvy, younger generation's tremendous demand in India's emerging urban centers for our popular and affordable brands.

**3.6 Accor and Hilton** worldwide have both seen the respective joint venture stall.

**3.7 Carlson Group** is bringing Regent to Gurgaon by 2013. To tie-up with Pioneer Urban Land and Infrastructure that will invest US\$ 49 million. International hospitality chains are expected to acquire local players to increase their presence in the country. Both domestic and international players are expected to form strategic alliances and partnerships with regional players /developers to expand in the country, reduce risk and optimize resources. For instance, in early 2010, Carlson increased its stake in RHW Hotel Management Services Ltd from 13% to 87%. RHW has been managing hotels under Carlson's brands since 1998. Marriott has relationships with several different developers and investors in India.

**3.8 The Leela Plans To Open 6 More Properties By 2013:** ITC Ltd expects to add 8-10 hotels in the next 3-5 years. The Thailand-based hospitality major, Amari, plans seven 4-star hotels near major airports in the country.

**3.9 Many hospitality** chains that were earlier focused only on the luxury segment are now diversifying into new product segments, such as budget hotels and serviced apartments. IHCL has already launched budget hotels in India, while Accor has announced plans to introduce Formule1. Hotel chains are diversifying into niche segments such as medi-cities, wildlife lodges

and spas for additional revenues. IHCL operates wildlife lodges under the brand Taj Safari. ITC-Welcome group and IHCL operate spas at some of their luxury properties.

**3.10 Reliance Industries Ltd (RIL)** picked up a minority stake in Kolkata-based EIH Ltd. DLF acquired the entire 26% stake of its partner Hilton International. Homegrown luxury hotel brand Leelaventure announced its diversification plan to set up a chain of 3 star hotels at pilgrimage locations across India under 'Leela Gardens' brand. During the year, the company sold its luxury hotel property in Kovalam, Kerala to Travancore Enterprises Pvt. Ltd (TEPL) for Rs 500 crore, in an effort to reduce its debt.

#### **4. SUGGESTIONS**

##### **4.1 Capital decisions**

Strategic initiatives include financing of owned assets, financing timeshare receivables, forming JV partnerships, accessing the bond market, finding additional equity investors and partners and issuance of public stock . Following points to be considered while taking capital decisions:

- a. Forming groups to address restructuring and distressed debt/asset acquisitions
- b. Improving existing hotels through capital expenditure
- c. Acquisition of such a brand to complement the segment chain.

##### **4.2 Expansion**

- a. Committing greater resources to the Indian market.
- b. Broadening the brands in the budget sectors.
- c. Developing stable and long-term relationship with local partners.
- d. Lobbying Government and authorities to reduce barriers to entry.

##### **4.3 Brand Strengthening**

- a. Focus on service innovation and brand quality.
- b. Invest in technological infrastructure to establish brand.
- c. Establishing dynamic operational procedures and staffing models & integrating brands and systems through back-office consolidations and improving central reservation systems.
- d. Consider 'Lifestyle' brand opportunities. International brands have to modify their products to meet local market expectations.
- e. Many upscale guests prefer recognition to reward and need to feel special.
- f. Invest in reinforcing data security to protect guests and the reputation of the brand.

##### **4.4 Consumer drive & demographic changes**

- a. Address the youthful attitudes, distinct interest & needs of boomers.
- b. Understand the desires and motivations of Indian travellers.
- c. Develop and invest in research and development to stay ahead of consumer's needs and desires.

##### **4.5 Technology**

- a. Embrace the influence of social media.
- b. Develop a multi-channel approach with increasing use of mobile smart phone technology.
- c. Enhance in-room technologies

- d. Develop better integrated IT systems, shared services & improve cost management systems.

#### **4.6 Talent Management**

- a. Develop talent programmes and re-design operating models
- b. Introduce tailor solutions to recruit, train and retain skill work force.
- c. Redesign organisational structures.
- d. For sudden disruptions such as terrorist attacks, natural disasters and medical events, the impact of high levels of staff absenteeism is a key challenge for business planning. The cross-training of employees is an important component of ensuring continuity.

#### **4.7 Sustainability**

Develop an environmentally responsible brand and embed a 360 degree view of sustainability within business model. In India ITC' luxury hotel in Bangalore was awarded the platinum rating, making it the first hotel in India to achieve the highest rating for green building.

#### **4.8 Crisis management**

- a. Establish appropriate responses, protocols and risk management programs.
- b. Appropriate actions will vary according to the scale and impact of the event which may include: Organisational restructuring, business continuity planning, the implementation of a clear and flexible pricing policy, strengthening loyalty schemes, offering extras to entice guests, adding value rather than lowering rate, reaffirming customer care.

### **5. CONCLUSION**

The 'one size fits all' approach to business has become redundant. Hospitality operators who understand the drives and needs of these growing demographics will reap the rewards and become the future leaders in the industry. The consumers will define the future technologies they require. Major players are diversifying into the mid-market segment to develop budget hotels to cater to the changing needs of Indian market. Consistency remains a challenge for luxury brands. High employee engagement correlates to high levels of customer satisfaction, customer retention, corporate performance and brand consistency. The industry needs robust strategic plans to retain their critical employees and manage turnover. Economic uncertainty, volatile oil prices, variable demand conditions and fluctuating exchange rates present ongoing challenges to hotel owners, operators and investors alike. Events such as terrorism, pandemics and natural disasters result in sudden shift in demand. While these crises are impossible to predict, they need to be anticipated and planned for. Properly managed, a crisis can be reconfigured as an opportunity to reinforce brand values and enhance consumer relationship. Those who keep pace and effect changes, embedding sustainability across their businesses from strategy to operations, from brand value to asset management, will be prominently positioned. Hospitality industry can maximize its performance in India through more informed formulation, planning & effective implementation of a combination of corporate, functional & business strategies congruent to worldwide challenges.

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## Psychology and Buying Behaviour of Rural Consumers with Special Reference to Television, Washing Machine and Refrigerator in the Rural Areas of Meerut Region

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### Abstract

*In this era of competition understanding the consumer is a necessity for producers. The consumer behavior suggest how individual, groups and organization select, buy, use and dispose of goods, services, ideas or experience to satisfy their needs and wants. Consumer needs and preferences are continuously changing given the changes in factors like demographics and lifestyles. Rural areas are scattered and it is next to impossible to ensure the availability of a brand all over the country. It is true that Consumer India is flourishing, but at the same time Indian Consumer has his roots deep into his traditions. This is what calls it as 'The Indian Way'.*

*The present study is an attempt to examine the purchase motivators (viz; Item of necessity, symbol of social status, marketing influence, brand reputation) for television, washing machine and refrigerator in the rural areas of Meerut region. This study is helpful to the manufactures to identity the consumer perception, beliefs, and behavior for improving them to introduce new strategies and increase in sales. Present paper discusses about how to find the modern way for marketing implementation and value addition.*

**Keywords:** Rural Market, Rural consumer, Fast growing product segments such as television, washing machine, refrigerator, Buying Decision Process, Characteristics of buyer, Consumer Durables, Brand Preference

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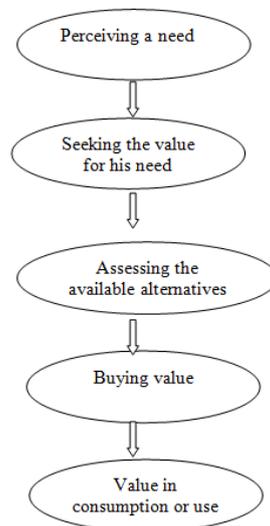
## 1. INTRODUCTION

On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely rural marketing has emerged. A large number of gigantic MNCs have changed their destination from urban to rural markets which have displayed an impressive growth over last few years.

### 1.1 Consumer Basket

**Consumer basket Geographic Spread** The population of India in 2011 census stood at 121 crores with 83.3 crores people living in rural areas and 37.7 crores people in urban areas. In terms of percentage 68.84 of the population is in rural areas and 31.16 in urban areas. No. of villages in India has increased from 6, 38,588 to 6, 40,867 in census survey of 2011. There has been an increase of 9.1 crores in the urban population and 9.0 crores in rural population during the decade 2001-2011.

**Fig. 1: Buying decision process: The BDP follows a logical sequence of five steps.**



- (a) **Perceiving a need:** This is the first stage of buying decision process in which the consumer plays an active role by doing a study of his wants and needs .Thereafter, the consumer identify the product or kind of product which would be required by him for satisfaction of his needs.
- (b) **Seeking the value for his need:** In the second stage consumer starts searching for the various alternatives available of the required product .The consumer can gather information for the product through various options like internet, print media, television conversation with family, friends, neighbors, etc. While searching for the information the consumer need to focus upon certain aspects like the type of product , nature of product , availability of sources, etc.
- (c) **Assessing the available alternatives:** This is the third and the most crucial stage of buying decision process as the consumer evaluates the various alternatives and then proceeds for

buying the product. Generally, in the information search the consumer comes across quite a few products and thus now the consumer has to evaluate and understand which product would be properly suited for meeting the need. In the first instance, the consumer will select a **consideration set**, which is the group of products that would most closely meet the need. Typically a consumer will use **cut-offs** to establish a consideration set. These cut offs are the minimum and maximum acceptable values for the product characteristics. Price is frequently used as an indicator of quality.

- (d) **Buying Value:** After the assessment of the available alternatives the consumer proceeds to the buying decision of a particular product by keeping in mind the required brand, the trustworthy retailer and also the mode of payment selected by the consumer. All the existing brands in the market make a total set for the consumer and all the brands in this set are acceptable to the consumer. However, the final choice will be made in favour of one brand
- (e) **Value in consumption or use:** This is the last stage of buying decision process which includes the post purchase evaluation by the consumer. This is the process that usually involves a comparison between what the consumer was expecting to get and what is the level of satisfaction attained after the consumption of a particular product. With the help of this the consumer decides whether the product purchase has been a success or not. If the product is close to the expectations of the buyer then the consumer is satisfied and he will spread good words for that product in the market but if he is dissatisfied then it will create a negative image of the product in the market.

### **1.2 Characteristics of Rural Buyer**

The characteristics of the buyer that affect the buying process include:

- (a) **Age group and gender of the buyer:** The buying power and decision is influenced by the age and life cycle stage of the buyer. Generally in rural areas males play a dominant role in taking buying decision for a product as they are the earning members of the family.
- (b) **Profession of Rural Consumers:** Generally the rural consumers are engaged in farming and so their demands are also according to their occupation.
- (c) **Financial Position:** The amount of finances available with the consumers depends on their income and this defines their purchasing power. This clearly indicates that the purchasing power of high income group is more and so they can purchase few comforts and luxurious goods.
- (d) **Lifestyle:** Life style denotes an individual style and standard of living. Generally rural people are very simple, not having much knowledge about the technical world and so they have a simple lifestyle.
- (e) **Personality of an Individual:** The buying decision of customers is influenced by his/her personality as the usage of particular products depends on their thinking, their attitude, their perception, etc
- (f) **Psychological Factors:** The psychology of an individual plays a major role in taking any kind of decision i.e., it can be for purchase of any goods or usage of those goods. Mostly in rural areas people are narrow minded and that is why they don't easily accept the products with latest technology as they have a fear in their mind that whether they will be able to use it properly and whether it will not cause any kind of harm to them.

## **2. FACTORS AFFECTING BUYING DECISIONS OF RURAL CONSUMERS**

- a. Environment of the consumer
- b. Influences of Geographic location
- c. Family
- d. Income of the consumers
- e. Place of purchase
- f. Multiple use of product
- g. Brand preference and loyalty
- h. Cultural Influence
- i. Awareness to urban lifestyles
- j. Situation in which the consumer uses the products
- k. Efforts of marketers to reach the rural consumers

- (a) Environment of the consumer:-**The environment plays a major role in the buying decision of consumers as the surroundings in which the consumer is living leaves and impact on his thinking. For Example: availability of electricity in the area will affect the demand for various consumer durables like washing machine, refrigerator, etc.
- (b) Influence of Geographic Location:-** The geographic location in which the rural consumer is residing also tells about the thought process of the consumer. For example, how much are the rural areas located near the urban areas, how many of them are employed in industry so that they are at least aware about the latest technology, etc.
- (c) Family:-**The size of family and the roles played by the family members play an important role in deciding which goods to be purchased and which not. As in rural areas there is a concept of joint family so the buying decision of the product is taken collectively keeping in mind the needs of all the family members and also the utility derived from that product. Generally, in rural areas there is one male head of the family who takes all such decisions keeping in mind the opinions of all the family members.
- (d) Income of the Consumers:-**The sources of income and the quantum of income are one of the major deciding factors, which determine what the consumer will be able to purchase as they have to decide among the limited resources the optimum utilization of their income in such a way that every single rupee spent by them gives the maximum utility and feeling of satisfaction. Also in rural areas maximum people are involved in agriculture as their main occupation and majority of them live below the poverty line where they need to think twice before spending.
- (e) Place of purchase:-**The buying decision of rural consumers also varies depending on the place of purchase i.e., they buy their requirements from different outlets like some of them prefer to buy from rural shopkeepers , some prefer to buy from nearby towns or cities , some of them may prefer to visit fairs for choosing a product , etc. Maximum times rural people prefer to buy from haats as they get better quality, variety and low price under one place.
- (f) Multiple use of product:-** The buying decision of consumer also depends on the number of uses a product can be put to as multiple uses of the product adds an attraction to it .For eg., in some rural areas Godrej hair dye is being used as a paint to colour horns of oxen, etc.

- (g) **Brand preference and loyalty:**-India is a land of varied cultures and the consumers' behavior is influenced by the culture especially in rural areas. Product colour, size, design and shape, social practices, decision making authority in the hands of male members of the society.
- (h) **Cultural Influence:**- Culture and tradition influence perception and buying behavior. For example, the preference in respect of color, size and shape is often the result of cultural factors. Rural consumer's perception of products is strongly influenced by cultural factors.
- (i) **Awareness to urban lifestyles:**- Extent of exposure of rural consumers to urban lifestyles also influences their buying behavior. An increased exposure and interaction with urban communities has been the trend in recent years.
- (j) **Situation in which the consumer uses the products:**- The situation in which the consumers utilize the product also influences their buying. In rural areas the lack of electricity automatically increases the purchase of batteries by rural consumers. Since rural consumers cannot use washing powders/detergent powders that much, as they wash their clothes in streams or ponds, they go in more for washing bars and detergent cakes.
- (k) **Efforts of marketers to reach the rural consumers:**- Many corporate companies have been trying hard to develop a market for their products in the rural areas, investing substantially in these areas. This has brought about some change in the way buyers purchase different products. Developmental marketing has created discriminating buyers and hitherto unknown demand in the rural market.

### 3. LITERATURE REVIEW

Consumer durable is a product that must be durable in use and must be expensive relative to income. An item may be durable for a working class family and at the same time may not necessarily be durable for upper middle class consumer. The durable goods are mass-produced in anticipation to consumers' demand and involve huge capital cost (**Downham and Treasure, 1956**). Both washing machines and refrigerators are complimentary to each other. The current purchase of washing machine increases the probabilities of current purchases of both a refrigerator and colour television. Similar was the effect of current purchase of colour television on both refrigerator and the washing machine. But the current purchase of refrigerator was found indifferent to the current purchase of both washing machine and a colour television (**Hu et al. 1989**).

Many companies of consumer products (both durable and non-durable) are making their efforts in rural areas. This is so because of increase in rural purchasing power over the past decade due to increase in support prices for the farm produce. Increase in infrastructure and change in lifestyle due to proliferation of television have changed the buying habits of the rural people. Advertisers target teenagers because of their high disposable income, their influence on parental purchases, their early establishment of loyalty to certain brands, and a conventional wisdom that they buy products on impulse (**Fox 1996; Mc Neal, 1999**). **Ramana Rao (1997)** observed that the boom in rural areas is caused by factors such as increased discretionary income, rural development schemes, improved infrastructure, increased awareness, expanding private TV channel coverage and emphasis on rural market by companies.

Socioeconomic conditions considerably affect consumer behavior (**Kim et al. 2002**). Income affects the buying behavior in terms of amount, type and prices of products purchased. Income is more

important in the buying of low social value product (Williams, 2002). When the income of the consumer is low, the consumer largely tends to focus on price and performance attributes and with the increase in income the consumer becomes more hedonic and may start desiring goods from western nations (Kim et al. 2002).

Brand name and price were the important considerations in buying consumer durables. Consumers used to buy these items based on the necessity felt rather than waiting for any offer or festive season (Shivakumar and Arun, 2002). Indian middle class also consider these items of infrequent purchase as revealed by the study of Rahman and Bhattacharyya (2003 a).

The National Readership Survey IV and V estimated that 77% of urban population and 30% of rural population has access to TV sets. The rural viewership is expected to go up to 45-48% by 2020. Various studies conducted in the past at an aggregate level have demonstrated that purchase behaviour in durable consumer goods sector is the most worthwhile to study (Shivakumar and Arun, 2002; Arora, 2002; Gupta and Chundawat, 2002; Bansal and Easwaran, 2004; Reddy, 2004; Shirodkar, 2005, Sehrawet and Kundu 2007) as it acts as a guide for various durables manufacturing companies about modifications required in their present marketing strategies already applied for tapping urban markets and to decide, if possible and to what extent, these strategies can be molded and then applied successfully to the rural markets.

According to the Federation of Indian Chambers of Commerce and Industry (2008), the number of rural households using consumer products has grown from 136 million in 2004 to 143 million in 2007. A pointer to the fact that rural consumers are moving to branded products. In a report by market research firm AC Nielsen, in April-May 2008, it was seen for the first time that the rural market has outpaced urban India in certain key product categories. The study quoted the National Council of Applied Economic Research, which estimates that an average rural Indian household will have five major consumer appliances by 2006, almost double what it had five years ago (The Tribune, 2003).

#### **4. OBJECTIVES OF THE STUDY**

- (1) To find out the factors influencing the consumers for brand preference.
- (2) To study the most preferred brand of washing machine, TV and refrigerator.
- (3) To examine the factors, which motivate rural people to buy consumer durables.
- (4) To understand the buying behavior of rural consumers with special reference to their income and need.

#### **5. HYPOTHESIS**

**H1 [H.sub.0]:** Income and reasons of buying consumer durables are independent (regarding washing machine ,television and refrigerator as ' items of necessity' or 'comfort and social status').

**H2 [H.sub.0]:** Income and duration of Planning before buying consumer durables are independent (regarding washing machine ,television and refrigerator).

#### **6. RESEARCH METHODOLOGY**

The study is based upon primary data collected from 160 households (owning Washing Machines, Television and Refrigerator), from rural areas of Meerut. These households were interviewed through a pretested, well-structured questionnaire. Consumer durables; washing

machines, Television and Refrigerator have been chosen for the study because these items are household products and most commonly used items in a family. Six economically significant villages nearby Meerut viz. Sardhana, Mawana, Khatauli, Dorli, Nanglatashi, Gadhi were selected for the survey.

The respondents from the villages were taken on convenience cum judgement basis. The survey unit was taken to be the family unit as represented by the respondent who answered questions affecting the family as a whole. This choice of survey respondents was restricted to persons responsible for purchases of all durable products of the family, including washing machines selected for the study.

**Statistical tools and techniques:**

**Chi Square Test** (dependent Samples): Chi Square test was applied to test the significance of difference between the two independent samples of rural populations. The hypotheses were tested at 5 percent level of significance. Refer table-1 and table-2.

**SPSS:** Statistical Package for Social Science (SPSS) version 17.0 for Microsoft Windows has been used. The hypotheses framed have been shown in **Table1 and Table2**. The study which is descriptive in nature.

**Correlation:** Correlation was used to test the brand awareness among the rural consumers according to their gender. This is represented with the help of **Table 3**.

**Measures of Central Tendency and Dispersion:** Mean and standard deviation were used to test the reasons for buying new product of the same brand they are already using. This is shown with the help of **Table 4**.

**Sample size:** The sample size is 160 respondents taken around the rural areas of Meerut.

**Sampling technique:** The random sampling technique is being used for this study. A random sample is obtained by selecting individuals from different households and different backgrounds.

**Sources of data:** The data has been collected from both primary and secondary sources. The primary data is collected from the respondents directly. The secondary data was collected from the textbooks, journals, magazines and newspapers.

**7. DATA PRESENTATION AND ANALYSIS**

**TABLE-1: Case Processing Summary**

	CASES					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Income* ROB	160	100.0%	0	.0%	160	100.0%

**Income \* ROB (Reasons of Buying) Cross tabulation**

	ROB		Total
	Need	Comfort and Status	
Income <1.5 Lakhs	33	19	52
1.5-2.5 Lakhs	39	4	43
>2.5 Lakhs	34	31	65
Total	106	54	160

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	17.326	2	.000
<b>Likelihood Ratio</b>	19.739	2	.000
<b>Linear-by-Linear Association</b>	2.221	1	.136
<b>No. of Valid Cases</b>	160		

**Interpretation:** From the above table we have the value of chi square at 2 degrees of freedom and 5 % level of significance i.e. 17.326.

The tabular value at 2 degrees of freedom and 5% level of significance is 5.991. The calculated value is > tabular value, so the null hypothesis is rejected.

So the income and reasons of buying the consumer durables are dependent on each other.

**TABLE 2: Case Processing Summary**

	CASES					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
<b>Income* DOP</b>	160	100.0%	0	.0%	160	100.0%

**Income \* DOP (Duration of Planning) Cross tabulation**

	DOP			Total
	<2	2-6	>6	
<b>Income &lt;1.5</b>	43	0	9	52
<b>1.5-2.5</b>	30	3	10	43
<b>&gt;2.5</b>	50	8	7	65
<b>Total</b>	123	11	26	160

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	9.414	4	.052
<b>Likelihood Ratio</b>	12.465	4	.014
<b>Linear-by-Linear Association</b>	.019	1	.890
<b>No. of Valid Cases</b>	160		

**Interpretation:** From the above table we have the value of chi square at 2 degrees of freedom and 5 % level of significance i.e. 9.414

The tabular value at 2 degrees of freedom and 5% level of significance is 9.488. The calculated value is < tabular value, so the null hypothesis is accepted.

So the income and duration of planning before purchase of the consumer durables are independent.

**TABLE 3: Gender \* Brand Awareness (Case Processing Summary)**

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
<b>Income* ROB</b>	160	100.0%	0	.0%	160	100.0%



**Gender \* Brand Awareness (Cross tabulation)**

		BA		Total
		YES	NO	
Gender	Male	111	22	133
	Female	21	6	27
Total		132	28	160

**Symmetric Measures**

	Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Interval by Pearson's R Interval	.056	.085	.705	.482
Ordinal by Spearman Correlation Ordinal	.056	.085	.705	.482
N of Valid Cases	160			

**Interpretation:** According to the above table it is clear that the correlation between male and brand awareness is higher than females.

**TABLE 4: Statistic ROBP (Reason of Brand Preference)**

N	Valid	160
	Missing	0
	Mean	2.27
	Median	2.00
	Mode	2
	Std. Deviation	1.038

**ROBP (Reasons of Brand Preference)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Price	21	13.1	13.1	13.1
Quality	110	68.8	68.8	81.9
After sale service	8	5.0	5.0	86.9
Discounts	7	4.4	4.4	91.3
Special offers	14	8.8	8.8	100.0
Total	160	100.0	100.0	

**Interpretation:**

According to the survey done maximum rural consumers prefer to buy new product of the same brand keeping in mind the quality of product they are already using of the same company.

Second preference is given by the consumers to the price of the product while purchasing a new product.

Third preference is given by the consumers to the special offers of the company while purchasing a new product .And lastly preference is given by the consumers to the after sales service and discount offered by the company while purchasing a new product.

## **8. LIMITATIONS OF THE STUDY**

- a) **Literacy Level among the Rural People:** The literacy level of rural buyers was low and this created a problem while collecting the data as majority of rural people were uneducated and so they were not able to understand the meaning of few questions as desired.
- b) **Time Consuming:** It was a time consuming activity because very few people showed an interest in filling up the questionnaires.
- c) **Lack of Knowledge about the consumer durables:** Rural people were not aware about various brands and their products available in the market. Majority of them were not aware about the advantages of the concerned product.
- d) **Lack of awareness about the mode of payment:** Generally, rural people prefer to buy on cash payment basis as they are unaware of the other modes of payment like: installment basis, with the help of credit cards, etc.
- e) **Amount of disposable Funds available:** Most of the rural people fall under the category of low income group because of which they are not able to purchase the products on prompt basis.

## **9. DISCUSSION AND CONCLUSIONS**

India is an agrarian economy and majority of the Indian population still resides in rural areas so it becomes the responsibility of the producers to take into account the needs of rural consumers and their preferences. Consumer is the basic foundation of every business. What consumer sees, thinks prefers and buys is of great importance to marketers to fine tune their marketing offers and achieve high level of consumer acceptance and satisfaction. The emergence of rural market as a viable proposition has sparked a new interest among marketers to explore and understand them.

- According to the study it is clear that the brand awareness in males is high in comparison to females.
- The large no. of rural consumers prefers the brands and their products because of the quality of the product and then the price of the product respectively.
- Around 40 percent of the rural consumers come under the income group of greater than Rs.2.5 lakhs per annum and they usually plan for 0-2 years before purchasing a product.
- According to the survey done maximum rural consumers prefer to buy new product of the same brand keeping in mind the quality of product they are already using of the same company.
- The study shows that most of the rural people used to buy these products when there is a need for them to purchase.
- The responses also show that the brands most preferred by the consumers regarding television, washing machine and refrigerator are Samsung, LG and LG respectively.

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## Growth and Promotion of Information Technology in Stock Market in India

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### Abstract

Information Technology is making profound inroads into the very fabric of our society and our economy as a nation in the global community. It is a decisive technology shaping the future. Information technology is a high tech industry, which requires a great deal of brainpower. It is highly versatile. After all, any economy consists of manufacturing and services. In every area of activity like manufacturing or services where are applies IT, one is bound to see the advantages in terms of productivity and savings in cost and energy. It has also helped to control inflation. The internet has really been the harbinger of e-commerce. In a present area, if there is any technology whose time has come, it is information technology. It is a decisive technology shaping our future. The success in today's competitive and complex environment depends on speed and information technology is designed for speed. Because of information technology, the world has become a global village. The Indian economy has got more closely linked with the global economy. Being a hi-tech industry, information technology requires a great deal of brain power. Human resources are the most vital resources in the technology. One of the most important economic developments in recent years has been the rapid increase in the IT sectors, computing and communication, share of investment activity and of the gross domestic product. The globalization of financial markets draws the e-business figure. Technological innovation has the power to change the lives of millions in one take. Modern communication, the deregulation and privatization of government owned business, competitive pressures to increase the speed of flow of trade, reduced the paperwork and the emergence of global financial system have all helped transform local drug operation into global enterprise. The study reveals that due to tremendous growth of information technology, trading in stock market has become easier and transparent.

**Keywords:** Deregulation, E-business, Globalization, Information Technology (IT), Privatization.

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## **1. INTRODUCTION**

Information Technology is making a great impact on the industry, trade and business. By innovations, growth in computer power, worldwide networks and growing electronic factories, it enables the seamless flow of information and its usage by various sections and segments of the business. IT based business operations are the standards today. It not only helps in defining new organizations, products, services and ways of satisfying the existing customers rather it is exploring a newer ways to explore the needs of customers and suggest innovative ways to segment the market and satisfy them.

Internet revolution has paved the way for innumerable online activities. With the implementation of the knowledge of database logics, modern languages like SQL, Java, Oracle 8i etc., it is now possible to find online solutions to various problems. Some such problems and their online solutions are enumerated below like e - interviews, e - job advertising ,e - information service, e - selling and e - purchasing, e - judiciary, e - training and e - conferencing. Online commerce is an attractive and challenging job. A large number of companies with their variety of products interact with various business partners in several ways. Each methodology of commerce may demand a different dealing tactic.

After economic liberalization and globalization, information superhighways have played a key role. The IT industry has grown at a much faster rate and has given birth to many subsidiaries like e-commerce, m-commerce technology and e-business etc. Today, the world has been converted into an E-world. With the advent of computers in day-to-day life and evolution of internet, the slow paced traditional business is now being replaced by e-business which is instantaneous and extends over the globe. It is phenomena used for conducting, managing and executing business transactions using computer and telecommunication network. New technologies are budding at astonishing pace. Computers have added a new dimension to forecast as well as to analyze sales in an organization. They have enabled the business decision makers to be more logical & rational. As a result, the chances of committing gross mistakes have gone down. Information technology has opened several new avenues of employment and progress. There are a large number of organization and industries which are regulating their activities through e-commerce.

The study is based on primary and secondary data. The main sources of secondary are journals, periodicals, newspapers, annual reports of IT-DIT, IT tenth five year plan-MIT etc.

## **2. HYPOTHESIS**

In this research the following hypothesis have been tested:

- a. Information technology is emerged as an effective instrument in shaping the Indian stock market to become more transparent and developed.
- b. It helps in controlling and regulating the financial frauds, crisis, corruption and misappropriation which prevailed in securities market today.

## **3. SIGNIFICANCE AND OBJECTIVES OF STUDY**

Information Technology has been a significant element in every facet of life. Thus, it would be technically true that the classical economy theory is now replaced by the digital economy by a new component as information resource besides land, labor & capital. Even in the not so distant

future, information management can substantially improve the quality of life in Indian context. It has opened several new avenues of employment and progress. Computer based information management system allowing a financial institution to collect information from different sources and develop a composite picture about its customers, its market position in different financial centers and its net exposure in those markets.

The main objectives of this study are as under:-

- To examine the technologies emerging in Information Technology.
- To analyze how the information technology is shaping our lives.
- To analyze how the information technology is in expansion of Indian business and public services.
- To know the future of information technology.
- To find out the suggestions for expansion of information technology.
- To study the role & effectiveness of information technology in Indian business and stock markets in India.

#### **4. RESEARCH METHODOLOGY**

The paper is based on secondary data and some discussion with eminent persons in the securities market. Information technology is emerged as a hot topic today which has added in enhancing Indian stock market to be compared with other foreign markets. It plays a key role in tracing the financial frauds and misappropriations in stock market in India. However, IT helps the Indian stock market to become more prominent and transparent today.

#### **5. INFORMATION TECHNOLOGY'S ROLE TO REGULATE STOCK MARKET**

In the 21st century the business world is marked by drastic changes. These changes are paced by continuous innovations in computer & telecommunicating technologies. The choice of a relevant IT is a crucial decision as it is bound to have a long term & lasting impact on the future of the enterprise. Up-gradation of technology helps in increasing productivity, reducing cost & in improving total quality. IT is being helpful & has a great impact in business.

- IT can help to identify the critical areas for competitive advantage of business organization.
- Competitive advantages may be achieved by various techniques is business with the help of IT.
- Helps in managing strategic alignment of critical business process.
- Decision-making and operational control by managers has been improved by IT.
- IT can help in maintaining the changing relationship with customers, suppliers, trials, potential new entrants, etc.
- IT in business results in improved communication, decreased costs, reduceing decision making time, monitoring the competitors and better control on transaction.
- IT can be used as innovation in functioning of the complete business system during strategic business planning.
- IT is helpful in increasing the speed of flow of trade, reducing paperwork & emergence of global financial system.

## **6. MODERN TRENDS OF IT IN INDIA**

The help of online database on both national and international information can be accessed which is a valuable tool for making decisions. Expansion of e-commerce, e-business, m-commerce etc has emerged as a sunrise market for the software industry business. The modern trends of IT in India are as follows:

### **6.1 E-commerce**

Electronic Commerce is doing business online or selling and buying products & services through Web storefronts. The use of computer is a primary tool to perform basic business operations. The Internet is the primary communication mode for electronic commerce. To provide foundation to this commerce, the electronic data interchange (EDI) is a strategically means. Thus, the business transactions between customers and suppliers, and all operations of a firm are facilitated. The functional areas covered by it are: finances, information services, human resources, manufacturing, and marketing. Electronic business also requires the firm's interaction with the environmental parties such as government, competitors, labour unions etc.

E-commerce has opened several new avenues of employment and progress. This new offspring is a blend of commerce, electronics and management. If electronic means are applied to commerce, the efficiency of commerce enhances. Here electronic imply the internet. In pursuing commerce, various technical methods like middleware, than section server etc., are emphasized upon instead of conventional methods of 'ordering', 'payment' etc. Also for efficient use of electronics, the knowledge of various software e.g., Java Beans, Servlet, COM/d, Com etc are required.

### **6.2 M-Commerce**

M- Commerce (M-Com) is a type of e-commerce that enables the users to access the internet through handheld wireless devices. Buying & selling, the services are accomplished by means of cellular phones, personal data assistants such as palm pilots and their combination. The emerging technology that has made m-commerce as an advanced business mode is WAP (Wireless Application Protocol). It utilizes the mobile handset devices equipped with web-ready micro-browsers. M-Commerce has a great market potential due to its faster and more secured wireless working as compared to the working of wire line e-commerce. It saves time and money. It is quick and safe also due to mobile speed passwords. For example, in mobile banking, the customers can access their accounts through handheld devices from anyplace. They need not sit in front of their computer (having Internet connectivity). They can pay their bills, can see the stock quotations and trading and can acquaint themselves with any desired information from anywhere. They can even know about traffic bottlenecks, if any, in their movement way.

## **7. STOCK TRADING AND INFORMATION TECHNOLOGY REVOLUTION**

Information technology has made a tremendous development in respect of our approach at a mass level. It opens the door of several avenues as well as has brought in several threats, which should be analyzed carefully. Due to development in technology, the information can be transferred from one place to another in very short span of time, earlier which required lot of time. Transfer of large information and storing capacity for a long period also has some drawbacks, inherent in the process itself. For example, manipulation of message is very easy and it requires small level of technical literacy. It is also observed that master in a subject may not be

many times able to express his views effectively as compared to a person having less knowledge of subject but more computer literacy, who can make better presentations. Here, the knowledge part of the core subject has been compromised with proficiency with technology. Whole economy of the world is very much dependent upon the technological advancement. This increased competition in each segment of the market.

The Internet makes the stock exchange accessible in the global market. Being more accessible will give them the opportunity to pick up a bigger market share, and give them a greater market value. There has been a migration from a Screen based trading system for government securities to an order matching system so as result in better price discovery and more transparency in the market related transactions in government securities Negotiated Dealing System (NDS)- which has been in use for many years now, has been enhanced to provide for changing market and regulatory requirements. Clearing Corporation Of India Ltd., (CCIL) as a fully IT enabled entity providing for electronic transaction processing as well as reporting has enabled the market to grow in depth and coverage as well. Use of the Multi-Lateral Net Settlement Batch facility for effecting the settlements arrived at by various clearing systems (such as the Stock Exchanges), through the RTGS mode Pilot projects entailing the use of Multi Application Smart cards have not only yielded satisfactory results; their usage for financial inclusion has opened up new vistas for their wide spread use across the country. Use of credit transfer based RTGS transactions by brokers, constituents etc. pertaining to the funds leg of secondary market transactions. To provide an interactive and user friendly service, banks and financial institutions have adopted the most recent technological trends. Queuing at banks is a thing of the past; now-a-days customers can enjoy various facilities at the doorstep of their banks and at other locations. Phone banking and SMS banking services can also keep customers updated with the status of their money, investments and offer an array of additional services.

## **8. TRENDS AND OPERATIONS IN SECURITIES MARKET**

Year 2010-11 belongs to activities in primary market -which witnessed record number of Initial Public Offerings (IPOs)/ Follow-on Public Offerings (FPOs) and new debt issues (Non-Convertible Debentures/ Bonds) including the biggest ever IPO of Coal India which came out with issue size of Rs. 15,199.4 crore in October 2010. In debt segment, State Bank of India, the country's largest bank, came out with debt issues in multiple trenches which were subscribed by investors multiple times. Secondary market segment showed signs of recovery of Indian corporate from global financial crises witnessed in 2008. The recovery phase was clearly reflected in substantial increase in average market capitalisation, revenues and profit after tax of top 500 listed companies at NSE and BSE. With growth in domestic demand being intact, Indian companies also showed significant improvement on export front in 2010-11 despite the fact that the global economy is still recovering from financial crises. The cumulative value of exports for the period from April, 2010 to March 2011 to US \$ 245.8 billion (Rs. 11,18,822.8 crore) as against US \$ 178.7 billion (Rs. 8,45,533.6 crore) registering a growth of 37.5 per cent in Dollar terms and 32.3 per cent in Rupee terms over the same period last year. During 2010-11, Foreign Institutional Investors (FIIs) made record investments of Rs. 1, 46,438 crore in the Indian market (equities and debt combined) surpassing the previous high of 2009-10 net investments of Rs. 1, 42,658crore. This reflects their confidence in Indian securities market and better growth potential of Indian

economy as compared to many developed and emerging economies. There was substantial improvement in the resource mobilization by corporate in the primary market In 2010-11 as compared to that in 2009-10, however, unlike previous year, mobilization of resources by mutual funds was less than redemptions which resulted into substantial net outflow of funds from mutual funds.

## **9. INFORMATION TECHNOLOGY (IT) SHAPING INDIAN STOCK MARKET**

Traditionally stock trading is done through stock brokers, personally or through telephones. As number of people trading in stock market increase enormously in last few years, some issues like location constrains, busy phone lines, miss communication etc start growing in stock broker offices. Information technology (stock market software) helps stock brokers in solving these problems with online stock trading. It is an internet based stock trading facility. Investor can trade shares through a website without any manual intervention from stock Broker. In this case these online stock trading companies are stock broker for the investor. They are registered with one or more Stock Exchanges. Mostly online trading websites in India trades in BSE and NSE. Installable Software Based Stock Trading Terminals and Web (Internet) Based Trading Applications are two different type of trading environments available for online equity trading.

### **9.1 Installable Software Based Stock Trading Terminals**

These trading environments require software to be installed on investor's computer. This software is provided by the stock broker. This software requires high speed internet connection. These kind of trading terminals are used by high volume intraday equity traders.

- Orders directly send to stock exchanges rather than stock broker. This makes order execution very fast.
- It provide almost each and every information which is required to a trader on a single screen including stock market charts, live data, alerts, stock market news etc.

### **9.2 Web (Internet) Based Trading Applications**

This kind of trading environments doesn't require any additional software installation. They are like other internal websites which investor can access from around the world through normal internet connection such as:

- Real time stock trading without calling or visiting broker's office.
- Display real time market watch, historical data, graphs etc.
- Investment in IPOs, mutual funds and bonds.
- Check the trading history; demat account balance and bank account balance at any time.
- Provide online tools like market watch, graphs and recommendations to do analysis of stocks.
- Place offline orders for buying or selling stocks.
- Set alert to inform you certain activity on the stock through email or sms.
- Customer service through email or chat.

## **10. FUTURE GROWTH OF INDIAN ECONOMY AND STOCK MARKET**

The future of Indian stock market is heavily dependent upon the following three parameters, which are discussed in the sub-sections given below:

- Future growth of the Indian economy, annual inflation, and productivity related improvements.
- The in-flow and out-flow of Foreign Institutional Investment.
- Any movements of price-earnings ratios.

India's economy grew at an annual rate of from 9% to 10% last five years from 2005-2010; during the agriculture averaging around 5% per year. India also survived from the Great Recession of 2008-09 due to minimal exposure of financial sector to sub-prime lending and domestic demand driven growth. According to our estimates, its economy's average annual growth rate during the two years, 2008-10, is likely-to be around 7% (in real terms), with the current fiscal year outperforming the last one by over 1%. Favorable demographics, high savings rate, rising middle class, and underleveraged households suggest that domestic demand, and the economy, will continue to grow strongly. Taking a long-term view and assuming an exchange rate of 46 INR to 1 USD, an annual growth rate of 7% in 2009-10 and 8.5% during 2010-11, the market sentiment being overly buoyant, an inflation of 6% per year, the size of the Indian economy in nominal terms is likely to be USD 1,250 billion in 2009-10, USD 2,400 billion in 2014-15, and USD 4,640 billion in 2019-20. This implies a cumulative nominal annual growth of 14% and an approximate four-fold increase in the coming decade.

During 2009-10, the hi-tech services and products include information technology (IT) and application development, business process outsourcing (BPO), knowledge process outsourcing (KPO), drug research and clinical research outsourcing (CRO), engineering services outsourcing (ESO), software and solutions related to the consumer Internet, software as a service (SAAS), open source, software services, and telecommunications (both wireless and wire-line) products and services are expected to grow at an annual rate of 17-18% annually. There would be considerable fluctuations in the growth rates over the years and within the sub-components of each group, but each group would continue to claim an important place in dictating the SENSEX level. Since productivity in Public Sector Undertakings (i.e., PSUs or companies where the federal and state governments own more than 50% equity) and family owned businesses has improved at a very fast pace, these two sectors have become particularly important for the investing community. For example, Evalueserve's analysis shows that on an average, the productivity improvement for the 500 companies listed in BSE-500 was approximately 8% per year during 2005-2011, and it was more than 10% per year for most family-owned businesses. These improvements were mainly driven by penetration of IT in all sectors and management and organizational innovations.

For PSUs that are listed in the Indian stock markets, productivity improvements were significantly higher. For example, during March 2005, the average net profit per employee for the PSUs that are a part of BSE-PSU index went up from USD 1,000 per employee to USD 11,500 per employee and the average revenue per employee went up 8 times during the period. Although these figures are quite impressive, according to our estimates, an additional 80% in productivity improvements would occur during 2005-15 on an average for a typical firm listed in the Indian stock markets. Clearly, such an improvement of 6% a year by itself would not increase the valuations of these firms since the productivity of other good competitors would proportionately also increase. Nevertheless, such a productivity increase would help these firms compete more effectively in a global market place. (Table 1)

**Table 1 - P/E Ratio for BSE during 2005-2011**

Year	Sensex P/F	BSE-100P/E	Sensex Closing Value	BSE-100closing Value	Number of Companies
Mar 31,05	16.5	13.72	6.492.82	3481.86	4.75
Mar 31,07	19.84	17.22	13.072.10	6587.21	4.82
Mar 31,09	12.68	14.22	9.708.50	4942.51	4.929
Mar 31,10	18	17.5	15.622	8378	5132
Mar 31,11	22.8	18	50.136	30.247	8146

### 10.1 Predictions Regarding the Indian Stock Markets during 2005 and 2015

As shown above table, during April 2005 and March 2015, companies listed in SENSEX, BSE-100, and BSE-500 are expected to grow at an annual average rate of 11% (in real terms) and 17% (in nominal terms).

In March 31, 2005, the firms in SENSEX were trading at an price / earnings ratio of 16.05 whereas they were trading at an average price earnings ratio of 22.8 during 1991 and 2005. The analysis shows that by December 2015, these firms (that are part of SENSEX, BSE-100, and BSE- 500) are likely to trade at an average price/earnings ratio of 22.8 also, partly because of volatility and partly because the annual growth rates of these companies is quite high. Since these earnings are computed on the "last twelve month" basis and since the companies in India are growing more rapidly- as much as 7-8% more- than their counterparts in other countries. It is believed that the SENSEX, BSE-100, and BSE-500 will trade at an average price/earnings ratio of 22.8 (during 2005 and 2015).

## 11. ANALYSIS AND FINDINGS

### 11.1 Problems

- Most of the Investors are not aware about the new trends and technologies emerging through information technology in stock exchange today.
- There is no significant effect of IT in protection of Investor's interest due to presence of excessive speculation risk.
- Cyber Crime has become the major problem in financial markets today.

### 11.2 Solutions

- Financial guidance should be provided to the investors to help them nationally while making their investment decisions.
- Introduction of place circuit breakers system which trade in stock market when prices move after a specific level can help in reducing an excessive speculation risk for every investor.
- Web servers running public sites must be physically separate protected from internal corporate network to eradicate the problem of cyber crime.

## 12. CONCLUSION

Last but not least the tendency to adopt new technology is a very typical psychological tension of mind. With a great pressure one become ready to adopt new technology if he has no choice, otherwise the general tendency is to cope with the old technology or work with old technology for which people are habitual. So, the adoption of new technology is also difficult. All in all, the development of new information technology should be welcomed because it is the need of the

hour. And all of us should prepare ourselves to make it easier for us and should use it in ethical ways then only we would be able to survive in the global market.

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## Customer Attitude Towards Shopping Malls in Mumbai

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### Abstract

*Today, supermalls are replacing 'kirana' stores all over India. India's retail infrastructure is slowly undergoing a change with many hi-fi supermalls being constructed and operating in various cities. The mall concept has come to stay for good. The Indian consumer seems to be undergoing a shift in terms of personality, buying motives, interests, attitudes, beliefs and values when he or she is making a shift from 'kirana' stores towards shopping malls. In this context it assumes significance to study the buying behaviour of consumers in Mumbai especially with changes taking place in India's retail scenario.*

*The scope of this research is to assess the overall customer satisfaction, response of customers with regard to the availability and quality of products and services offered at shopping malls and the comfort level of the respondents towards shopping in the shopping malls in Mumbai. This study is restricted to 5 shopping malls in Mumbai. Factors influencing the customer to shop in the shopping malls of Mumbai such as socio-economic profiles, income, frequency of visit, period of relationship between the respondents and shopping malls, purpose of visit, occasion to visit shopping malls are some of the aspects studied in the present study.*

**Keywords:** *shopping malls, retail, 'kirana' stores, customer, customer's attitude, Mumbai*

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## **1. INTRODUCTION**

Today, super - malls are replacing 'kirana' stores all over India. Lifestyle marketing is a process of establishing relationships between products offered in the market and targeted lifestyle groups. Lifestyle is a distinctive mode of behaviour centered on activities, interests, opinions, attitudes and demographic characteristics distinguishing one segment of the population from another. A consumer's lifestyle is seen as the sum of his or her interactions with his or her environment.

Many consumers make their purchases from the local 'kirana' stores also known as India's mom and pop stores. But recently, India's retail infrastructure is slowly undergoing a change with many hi-fi super - malls being constructed and operating in various cities. The mall concept has come to stay for good. The Indian consumer seems to be undergoing a shift in terms of personality, buying motives, interests, attitudes, beliefs and values when he or she is making a shift from 'kirana' stores towards shopping malls. In this context, it assumes significance to study the buying behaviour of consumers in Mumbai especially with changes taking place in India's retail scenario.

## **2. CONCEPT AND IMPORTANCE OF A SHOPPING MALL**

A shopping mall, shopping center, shopping arcade, shopping precinct or simply mall is one or more buildings forming a complex of shops representing merchandizers, with interconnecting walkways enabling visitors to easily walk from unit to unit, along with a parking area-a modern, indoor version of the traditional marketplace. The Oxford Advanced Learner's Dictionary defines a shopping mall 'as a large building or covered area that has many shops / stores, restaurants, etc. inside it'<sup>1</sup>. The shopping mall concept is a big hit with the sole purpose to provide everything under the sun under one roof or in one big complex. It also heralded in a new urbanization concept where everything was taken to the consumer in his comfort zone, suburbia. Customers state that malls, supermarkets and hypermarkets are well organized and that there are no quality issues, the range of choices and value-for-money deals make them happy, the ambience is good, there are better deals across categories with more choices and they get everything under one roof and they get good deals on bulk buying and at the same there is more variety. Organized retail chain and mall stores are mushrooming in all major cities and towns of India. Apart from private players in the organized retail chain business like 'Shoppers Stop', 'Spencers', 'Food Bazar', 'Hypercity', 'Inorbit', 'Big Bazar' and so on, major industrial houses like Tata, Birla, Reliance, Bharti, etc. have entered the retail business and have announced very ambitious future expansion plans. Multinational retailers are also coming to India to set up retail chains in collaboration with big Indian companies. Modern retail formats such as hypermarkets, superstores, discount stores, convenience stores are widely present in major cities of India<sup>2</sup>.

## **3. REVIEW OF LITERATURE**

**Pirakatheeswari (2010)** - The Indian Retail sector is estimated to have a market size of about \$180 billion, but the organized sector represents only 2% share of this market. Liberalization of the Indian economy has brought an opening for consumer goods and this has helped many MNC's to serve with a wide variety of choices to Indian consumers. Consumers have shifted their demands towards foreign brands like Pizza hut, Mc Donald's and so on. The internet has also been a tool

for this revolution as Indian consumers are more accessible to the growing influences of domestic and foreign retail chains<sup>3</sup>.

**CII (2005)** - In India the retail sector is the second largest employer after agriculture, although it is highly fragmented and predominantly consists of small independent, owner – managed shops. There are over 12 million retail outlets in India, and organized retail trade is worth about Rs.12,90,000 crores (September,2003). The country is witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper-middle class households. More and more corporate houses including large real estate companies are coming into the retail business, directly or indirectly, in the form of mall and shopping center builders and managers. New formats like super - markets and large discount and departmental stores have started influencing the traditional looks of bookstores, furnishing stores and chemist shops. The retail revolution, apart from bringing in sweeping, positive changes in the quality of life in the metros and bigger towns, is also bringing in slow changes in lifestyle in the smaller towns of India. Increase in literacy, exposure to media, greater availability and penetration of a variety of consumer goods into the interiors of the country, have all resulted in narrowing down the spending differences between the consumers of larger metros and those of smaller towns<sup>4</sup>.

**Balamurugan (2011)** - The retail sector in India can expect to witness a second big revolution in the not too distant future, in spite of setback faced due to the current economic slowdown. New market equilibrium will be achieved where both organized and unorganized retailers will be able to thrive. The market size too is expanding, giving enough scope for all. At the same time, organized retailing is expected to generate a large number of employment opportunities across its entire supply chain activities like procurement, logistics, preservation, repacking, merchandising, front-end sales, security, according, advertising and marketing. Specific advantages offered by the organized retail together with changing consumer behaviour and supporting environmental factors are likely to make a strong positive impact on the organized retail sector. Retailers need to analyze the forces that are affecting retail transformations. The success of new retail formats will depend heavily on customer's acceptance.

**Panchanatham and Gnanaguru (2008)** - Retailing is interlinking the individual consumer with the manufacturing and distribution chain. Retailing is highly consumer driven and the customers are being exposed to new retail formats frequently. If well planned and organised, the retail business would ensure that the consumers will benefit not only by way of quality products but also in prices due to the bulk buying capacity of big retailers<sup>6</sup>.

**Kearney (2006)** - India is more attractive than ever to global retailers. India's economic growth, forecasted at 8 percent GDP in 2006, continues to support the retail industry. The estimated \$350 billion retail market is expected to grow 13 percent and the top five retailers account for less than 2 percent of the modern retail market. And with one billion people, it is the second largest population in the world. There are also fundamental changes underway in India. In early 2006, the government announced that it would allow foreign companies to own up to 51 percent of a single-brand retail company<sup>7</sup>.

**Sengupta Anirban (2008)** Emergence of modern retail in India is not just a result of increasing consumer buying power – manufacturers and unorganized retailers also have an important role to play in this process at the macro-level. At the micro-level, the trigger came from diverse angles

like entrepreneurial desire to provide better service to consumers, social desire to provide relief to the masses in the form of lower prices, desire to capitalize on emerging business opportunities being provided by the changing business environment, etc<sup>8</sup>.

**Srivastava (2008)** - The findings presented show that malls in 2006 are more developed in the North and West part of India. Food, groceries and apparel purchase by customers contributed to 52 percent. On an average 75 percent of customers spend about 1-3 hours in the mall. Malls with multiplexes such as cinema theatres, food courts, and play places for children are becoming the center for family outings. Small retailers have improved their service to cater to Indian consumers. Credit limits and home service are helping them to hold on to their customers. Retailing focus is changing towards satisfying the different hierarchy of needs of customers<sup>9</sup>.

**Ernst & Young's report- 'The New Market Shehers: Tapping Potential beyond the Metros' (2010)** - throws light on the growing clout of the key urban towns in India. The key findings of the report indicate retail presence in the **Key Urban Towns (KUTs)** and the **Rest Of Urban India (ROUI)** through organized retail chains and malls has increased considerably over a two-year period; the percentage growth in the number of malls in the KUT (55%) was more than twice that of the metros (24%)<sup>10</sup>.

Table-1: REACH OF MALLS IN INDIAN CITIES

CITY	POPULATION (IN '000)	NUMBER OF MALLS	NUMBER OF MALLS PER '000
Ahmedabad	5342	14	0.0026
Amritsar	1452	10	0.0069
Bengaluru	6763	26	0.0038
Bhopal	1784	02	0.0011
Chandigarh	955	19	0.0199
Chennai	4498	16	0.0036
Cochin	1573	02	0.0013
Coimbatore	3396	02	0.0006
Delhi	16065	42	0.0026
Hyderabad	4248	15	0.0035
Indore	2071	04	0.0019
Jaipur	3159	00	0.0032
Jamshedpur	1239	00	0.0000
Kanpur	3319	05	0.0015
Kolkota	4701	18	0.0038
Lucknow	2747	05	0.0018
Ludhiana	1962	15	0.0076
Madurai	1545	01	0.0006
Mumbai	13071	77	0.0059 <sup>10</sup>
Nagpur	2937	04	0.0014
Nasik	2283	03	0.0013
Patna	2331	00	00

Pune	5090	40	0.0079
Surat	3961	04	0.0010
Thiruvananthapuram	1172	03	0.0026
Vadodara	1833	07	0.0038
Vijaywada	1360	02	0.0015
Vishakapatnam	1665	01	0.0006

Source: The Market Skyline of India 2008, Indicus Analytics

#### 4. STATEMENT OF THE PROBLEM

The lifestyle of the Indian consumer pervades various aspects of his/her life and varies according to the sociologically relevant variables. Family incomes are seeing a jump in recent times resulting in the consumer spending more and a change in the lifestyle of the Indian consumer is of great interest to society at large, manufacturing and consumer companies, advertisers, super - mall owners, economists, census, researchers and so on. This study could also be used in the context of positioning new products, repositioning an old/existing product, developing new product concepts and creating promotional strategies. The objective of this research is to study the metamorphosis in the life of the Indian consumer after the advent of malls in the country and how the shift in his/her buying behavior has affected sales of consumer products. It will help to analyze the consumer's attitude towards super - malls, attitudes towards various product classes sold in malls, products and services consumed, activities, interests and opinions of different consumers, value systems and personality traits as an increasing number of urban consumers are beginning to see themselves in a more modern context.

#### 5. THE OBJECTIVES OF THE STUDY

1. To know the attitude of customers towards shopping malls; 2. To understand the customer purchase pattern; 3. To identify the level of satisfaction among customers; 4. To determine how customers rate product quality; 5. To know the value for money that customers gain by shopping in shopping malls; and 6. To know the future expectation of customers.

#### 6. TESTING OF HYPOTHESES

The study is based on the formulation of the following null hypotheses.

**H<sub>01</sub>:** The socio - economic profiles of the customers do influence their satisfaction with respect to shopping in the shopping malls in Mumbai.

**H<sub>02</sub>:** There is a significant difference in the acceptance levels by the customers with respect to the income category to which they belong to and propensity to shop in shopping malls in Mumbai.

**H<sub>03</sub>:** There is a significant relationship with respect to the comfort level of the respondents towards shopping in the shopping malls in Mumbai.

**H<sub>04</sub>:** The response of customers with regard to the availability and quality of products and services offered at shopping malls does influence the customer's acceptance level towards shopping in the shopping malls in Mumbai.

**H<sub>05</sub>:** The attitude of customers towards shopping malls and overall customer satisfaction is positive.

## 7. SCOPE OF THE STUDY

The scope of the study is to assess the overall customer satisfaction, response of customers with regard to the availability and quality of products and services offered at shopping malls and the comfort level of the respondents towards shopping in the shopping malls in Mumbai.

This study is restricted to 5 shopping malls in Mumbai. Factors influencing the customer to shop in the shopping malls of Mumbai such as socio - economic profiles, income, frequency of visit, period of relationship between the respondents and shopping malls, purpose of visit, occasion to visit shopping malls are some of the aspects studied in the present study.

## 8. SAMPLING DESIGN

This study is confined to the customers visiting the select shopping malls in Mumbai. There are 77 shopping malls in Mumbai<sup>10</sup> and these shopping malls are considered the universe of the study. In the present study, the sampling involves two stages. In the first stage, out of 77 shopping malls, 5 shopping malls are selected by using simple random sampling technique. In the second stage, by adopting quota sampling, a total of 100 respondents visiting each of the 5 shopping malls were selected outside the shopping malls. The sampling details are given in the following table.

**Table-2: Sampling Distribution**

Name of the Shopping Malls	No. of Samples
Big Bazar	100
D Mart	100
Hypercity	100
Reliance	100
Star Bazar	100
Total	500

## 9. TOOLS FOR DATA COLLECTION

This study is empirical in nature based on survey method. Research involves getting primary and secondary data. As an essential part of the study, the primary data (first-hand information for this study) were collected from 500 customers with the help of a questionnaire from the respondents belonging to different age groups enabling know their purchase behavior in shopping malls. A pilot study was conducted with 25 customers. In the light of the experience gained from the pilot study, few changes were incorporated in the revised questionnaire. The sample group includes children, youth, housewives, financially independent ladies, working men and retired persons. The contact method was personal interview.

Secondary data was collected from journals, reports, books, records, magazines and internet.

## 10. FRAMEWORK OF ANALYSIS

In order to study the overall customer satisfaction, (response of customers with regard to the availability and quality of products and services offered at shopping malls in Mumbai, the comfort level of the respondents towards shopping in the shopping malls in Mumbai and factors influencing the customer to shop in the shopping malls of Mumbai such as socio - economic profiles, income, frequency of visit, period of relationship between the respondents and shopping

malls, purpose of visit, occasion to visit shopping malls and so on); statistical tools and percentage analysis are employed.

### 11. LIMITATIONS OF THE STUDY

The study has the following limitations:

The study of customer attitude towards shopping malls in Mumbai is a very vast subject consisting of a number of dimensions. Only a few dimensions / aspects were studied in this study.

Only 500 customers visiting the 5 shopping malls in Mumbai have been selected and studied. Hence, the conclusion drawn is specific and cannot be generalized.

### 12. FINDINGS

In order to collect information about “customer attitude towards shopping malls in Mumbai” 500 questionnaires were distributed to consumers. The responses are tabulated, analyzed and explained below:

#### 12.1. Frequency of Visit

Particulars	Number of Respondents	Percentage %
ALWAYS	250	50
OFTEN	150	30
SOMETIMES	100	20
NEVER	0	0
TOTAL	500	100

The table above indicates the significance of shopping malls in a city like Mumbai by a majority of the sample favoring ‘always’ and none for ‘never’. 50% of the sample surveyed frequently visit shopping malls.

#### 12.2 Monthly Income

Particulars	Number of Respondents	Percentage %
BELOW RS 20,000	70	14
RS 20,000 – RS 30,000	100	20
RS 30,000 – RS 40,000	180	36
RS 40,000 AND ABOVE	150	30
TOTAL	500	100

The above mentioned data helps us identify the income category (per month) to which the respondents belong. While the majority of the respondents belongs to the higher income group of Rs 30,000 – Rs 40, 000 (36%) and Rs 40,000 AND ABOVE (30%) per month the respondents belonging to lower income group is as low as 14%. This clearly shows that the propensity to visit a shopping mall is higher in cases of the higher income group.

#### 12. 3. Quality of products offered at shopping malls:

Particulars	Number of Respondents	Percentage %
EXCELLENT	250	50
GOOD	100	20

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SATISFACTORY	100	20
NOT SATISFACTORY	50	10
TOTAL	500	100

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The respondents were asked to rate the quality of products available at shopping malls. As per the responses obtained, the products sold at shopping malls seem to have an edge over 'kirana' shops and other local pop and mom stores / vendors with regard to quality. While 50% of the respondents stated that the quality of products offered at shopping malls is excellent, only as low as 10% of respondents have reported a 'not satisfactory' response towards shopping malls.

**12.4. Services offered:**

Particulars	Number of Respondents	Percentage %
EXCELLENT	200	40
GOOD	100	20
SATISFACTORY	150	30
NOT SATISFACTORY	50	10
TOTAL	500	100

---

Respondents have shown a positive response with regard to the quality of services offered at shopping malls. As high as 40% of the respondents feel that the services of shopping malls are "excellent" while 10% of the respondents rate the services as "good" , 15% respondents rate as "satisfactory" and only 10% tag the services as "non satisfactory".

**12.5. Parking facility:**

Particulars	Number of Respondents	Percentage %
EXCELLENT	300	60
GOOD	100	20
SATISFACTORY	50	10
POOR	50	10
TOTAL	500	100

---

Shopping malls are considered to be vehicle friendly as they provide excellent parking facilities. Therefore, a majority (60%) of the sample have a positive response about the parking facilities offered at shopping malls. Only as low as 5% find the parking facility to be "poor" at shopping malls.

**12.6. Association Shopping Malls:**

Particulars	Number of Respondents	Percentage %
0 - 1 YEAR	50	10
1 - 3 YEARS	200	40
3 - 5 YEARS	150	30
MORE THAN 5 YEARS	100	20
TOTAL	500	100

---

The above table shows the period of the relationship between the respondents and shopping malls. While 10% of respondents are associated with shopping malls since the past one year, 40% of the respondents are associated from last 1 – 3 years, 30% of the respondents are associated since past 3 – 5 years and 20% of the respondents are associated with shopping malls for more than 5 years. The majority of the respondent's association with shopping malls is below 5 years because a majority of the shopping malls and thus mall culture came to existence in Mumbai only in the past five years.

**12.7. Availability of Products:**

Particulars	Number of Respondents	Percentage %
YES	450	90
NO	50	10
TOTAL	500	100

When asked about the availability of products in shopping malls, 90% of the respondents are satisfied and remaining 10% of the respondents are dissatisfied. Thus, the availability of a wide range and a variety of products is a major attraction of shopping malls.

**12.8. Comfort:**

Particulars	Number of Respondents	Percentage %
YES	400	80
NO	100	20
TOTAL	500	100

As high as 80% of the respondents are comfortable with shopping at the shopping malls as they serve as a one stop shop. The remaining 20% seem tradition bound who prefer shopping at traditional 'kirana' stores.

**12.9. Purpose of Visit:**

Particulars	Number of Respondents	Percentage %
FOOD AND BEVERAGES	300	60
ENTERTAINMENT	150	30
LIFESTYLE PRODUCTS	40	08
DURABLES	10	02
OTHERS	00	00
TOTAL	500	100

The above data shows that food and beverages (60%) attract consumers the most towards shopping malls, especially women. Entertainment (30%) is next as it is most favored by mostly the youth and children. It is only a very small percentage of consumers who visit shopping malls for the durables (2%), lifestyle products (8%) and other goods.

**12.10. Mode of Payment:**

Particulars	Number of Respondents	Percentage %
DEBIT / CREDIT CARD	350	70
CASH	150	30
TOTAL	500	100

Debit / Credit cards are customer friendly especially when it comes to shopping. Therefore, 70% of the sample respondents prefer payments by mode of Debit / Credit card rather than cash. Unlike most local vendors, shopping malls offer debit / credit card facilities to the consumer which makes shopping at shopping malls more attractive and convenient to shop.

**12.11. Value for Money:**

Particulars	Number of Respondents	Percentage %
EXCELLENT	325	65
GOOD	100	20
SATISFACTORY	50	10
POOR	25	05
TOTAL	500	100

Most consumers (65%) are of the opinion that shopping malls give excellent value for money. This is because most products are sold directly by the manufacturers to the ultimate customers through their own retail outlets which thereby reduce the cost incurred on middlemen and / or shopping malls pass a percentage of the profits to customers by way of discounts and schemes to ensure customer loyalty.

**12.12. Reason for Buying from Shopping Malls:**

Particulars	Number of Respondents	Percentage %
NEARNESS TO HOUSE AND LOCALITY	300	60
GOOD RANGE AVAILABILITY	100	20
FRIENDLY SHOPPING ENVIRONMENT	50	10
GOOD AMBIENCE	50	10
TOTAL	500	100

60% of respondents favor 'near to the house' which makes shopping malls more convenient and attractive for the shoppers. Apart from that, few consumers are also attracted to other features of shopping malls like good range availability (20%), friendly shopping environment (10%) and good ambience (10%).

**12.13. Occasion to Visit Shopping Malls:**

Particulars	Number of Respondents	Percentage %
FESTIVALS	200	40
WEEKENDS	100	20
OFFER TIME	150	30
NO SPECIFIC REASON	50	10
TOTAL	500	100

It is during the festive season (40%) that the majority of the respondents visit shopping malls to buy clothes, sweets and so on. Apart from that, during offer time to avail of discounts (30%) and weekends (20%) consumers visit shopping malls for purchasing routine items and for socializing. Very small percentages (10%) of the respondents come to the malls to shop with no specific reason.

**12.14. Consumer Overall Satisfaction:**

Particulars	Number of Respondents	Percentage %
VERY SATISFIED	200	40
SATISFIED	150	30
NEUTRAL	100	20
DISSATISFIED	50	10
TOTAL	500	100

Around 40% of the respondents are overall very satisfied with the shopping malls, 20% indicate ordinary satisfaction towards shopping malls while 20% of the respondents preferred to be neutral – they could not determine whether they were satisfied or not and lastly only 10% were dissatisfied and these 10% are mainly housewives who are tradition bound.

**13. CONCLUSION**

The purpose of the research is to analyze the “customer attitude towards shopping malls in Mumbai” which is found to be positive.

- 1) Today multi storey shopping malls are a shopaholic’s paradise in Mumbai. These shopping malls accommodate every taste, pocket and style. Also, the city of Mumbai offers ample shopping opportunities to tourists who come here to spend their vacation.
- 2) From the study it is revealed that a majority of ‘Mumbaikars’ do prefer to shop at shopping malls as it is a convenient place to buy anything they desire. Most respondents expressed that the shopping malls are just not a place to shop due to its constant availability, but has also created an ideal environment for social interaction for people of all ages.
- 3) Also shopping malls offer excellent parking facilities, create value for money, credit / debit card facilities, and so on. As a result, higher customer traffic is attracted towards shopping malls. All thanks to shopping malls for bringing about an overall development in Mumbai.

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## Increased Non-performing Assets in Indian Banks leading to Consolidation as Remedy: A Study of Strategic Advantage and Compromise

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### Abstract

Indian Banking Sector since inception has gone through a series of corporate restructuring. Starting from the age of Presidency Banks, the banking sector has taken up consolidation as a strategic move to enhance their competitiveness in the global arena. History reveals that India's Largest Bank, State Bank of India, is a product of mergers of the Presidency Banks. Post-nationalisation phase projects Reserve Bank of India (RBI) as a vital role player in the process of the mergers of the Indian Banks. RBI, being the apex bank of the country has come up with several directives forcing a strong bank to take-over the weaker banks which eventually tantamount to acquisition of Non-performing Assets (NPAs).

This paper endeavours to study the probable synergies arising out of the consolidations and how it has been strategically different from the mergers and acquisitions taking place globally. In the due course of establishing such fact, the paper has gone through an international case-study relating to takeover of ABN-AMRO Bank by the Royal Bank of Scotland and how the focus of such merger has been different from the Indian consolidations taking place. Focussing towards the Indian context, the paper has taken up few case-studies relating to the Indian banks to show how the Indian banks has undertaken corporate restructuring only to shift the burden of NPAs from a weaker bank to a giant. This strategy might not prove to be sustainable in future because the loan recovery system and the Debt Recovery Tribunals have already proved its incompetence in the past. Moreover, the Indian banking giants are also suffering from high NPA accumulation.

Under the above situation, this paper is an effort to prove that the consolidations taking place in the Indian Banking Industry might be a short-term remedy for the weaker banks to get out of their failure but cannot assure a future growth in the industry.

**Keywords:** Indian Banking Industry, Non-performing Assets, Consolidation, Merger & Acquisition, Debt Recovery Tribunals

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## 1. INTRODUCTION

Nationalization in the Indian Banking Industry for the first time marked the beginning of a phased reform in the sector. Post-nationalization phase observed a restructuring and reincarnation of Indian Banks which eventually gave them the impetus to play in a competitive economic environment. But how far the reformatory actions have been successful remains a matter to be judged. With a series of bank failures after nationalization, questions have been often raised about the credibility of such reform measures. One of such reformatory step has been 'consolidation' or 'corporate restructuring'. This weapon, many a time have been used by the global banking industry as an effective tool towards their business expansion and improvement of competitive strength. But, the Indian Banks have used this tool mostly to support the weak and problematic banks suffering from high Non-performing Asset (NPA) ratio. However, reducing of NPA in the economy for the last two decades has been the cause of concern for many.

The consolidation in the banking industry has taken the driver's seat in the recent banking scenario of India and is likely to gather momentum in future. The Indian banking industry is set to open up fully to the foreign participants by April 2009 and consolidation of the problematic Indian banks with the foreign banks or with the Indian Banking Giants will have a huge impact on the sector.

Under the above circumstances, this paper has been an effort to establish whether the consolidation in the Indian Banking Sector helps in the reduction of NPA. In the course of the study, emphasis has also been given at the mergers and acquisitions taking place globally and how it differs from the consolidation of the Indian Banks.

### 1.1 Growth of Non-performing Assets: The Challenge to all Banks

Indian Banking Industry set up its pillar on piles of NPA. Several reformatory measures were adopted time to time, but the effort for NPA identification was either sluggish or remained undetected. It was first traced only after 1992 wave of liberalization. A rapid NPA rate of the Public Sector Banks (PSBs) was observed with it's rising to 80246 crore in 2002 from 47300 crore in 1997 (A Report on Non-Performing Asset...., 2011).

NPA has been the greatest complication for the Indian banking sector. The problem was predominantly acute in India with NPAs accounting to thousands of crores. The effect of large NPAs was devastating as it reduced interest income, additional provisioning, and erosion in capital and reduction in competitiveness. The government and the banks have put in a lot of effort to address the serious problem posed by the NPAs. Debt Recovery Tribunals (DRTs) were set up to recover the bad loans. The banks have also come up with One Time Settlement systems to settle the problems once and for all with the defaulting borrowers. Though these tribunals and schemes were partly successful, they did not go to the extent of solving the problem. Consolidation, therefore, seemed to be the only way to transform the existing banking sector into a commercially viable organization.

NPA issue in the financial sector has been the cause of concern for all economies and India is not an exception to it. Reduction in NPA has become synonymous with the functional efficiency of financial intermediaries. Although the value of NPA is reflected in the Balance Sheet and affects the financial position of the organisation, yet it had huge macroeconomic impact. If these assets

are not recovered on time, the values will decline with the efflux of time and gradually the banks could only recover a negligible value. This in the long-run will affect the financial sector growth.

### **1.2 Indian Banking Sector and its need for Consolidation**

Modern banking in India began in the 18<sup>th</sup> century, with the founding of the English Agency House in Calcutta (later known as Kolkata) and Bombay (later known as Mumbai). In the first half of the 19<sup>th</sup> century, three Presidency banks were founded. After 1860, with the introduction of limited liability, private banks began to appear and the foreign banks entered the market. In the beginning of 20<sup>th</sup> century, the joint stock banks were introduced. In 1935, the presidency banks were merged together to form the Imperial Bank of India, which was subsequently renamed as the State Bank of India (SBI). In 1959, SBI acquired the state-owned banks of eight former princely states. By July 1969, 31% of scheduled bank branches throughout India were under the government control and became a part of the SBI Group (**Banerjee et al. 2004**).

The banking sector in India had undergone several phases of reform since its inception. The major initiative was taken up in July 1969 with the government nationalizing the existing banks in the country, having nationwide deposits of Rs.500 million. Reserve Bank of India (RBI) occupied the position of central bank of the country. After nationalization, the breadth and scope of the Indian banking sector expanded immensely achieving mass participation. The most significant achievement of the financial sector reforms had been the marked improvement in the financial health of the commercial banks in terms of capital adequacy, profitability, asset quality and credit risk management (**Annexure I**).

Commercial banking constituted the largest segment of the Indian financial system. So, majority of the regulatory and supervisory norms were initiated first for commercial banks and were later extended to other types of financial intermediaries. After the nationalization of major banks the Indian banking system became predominantly government owned by the early 1990s.

Banking sector reform consisted of a two pronged approach. There had been a constant improvement in the Indian banking system through the introduction of international best practices in prudential regulation and supervision. The idea was mainly to increase competition in the system gradually. Special emphasis was placed on building up the risk management capabilities of the Indian banks. Measures were also initiated to ensure flexibility, operational autonomy and competition in the banking sector. Active steps had been taken up in order to improve the institutional arrangements including the legal framework and technological system within which the financial institutions and markets operate. The supervisory system had been refurbished as it played a crucial role of effective supervision in order to improve efficiency and stability in the entire banking system.

Banking reform in India had not involved large-scale privatization of government-owned banks. The approach, instead, first involved recapitalization of banks from government resources to bring them up to appropriate capitalization standards. The second phase was attempted to increase capitalization through diversification of ownership to private investors up to a limit of 49%, thereby keeping majority ownership and control with the government (**Mohon, 2007**).

The deregulation in the banking sector has opened up new opportunities for banks to increase revenues by diversifying into investment banking, insurance, credit cards, depository services, mortgage financing, securitization, and so on. Liberalization on the other hand has brought

greater competition among local and foreign banks. Positive fallout of competition has been the greater choice available to consumers, and the increased level of sophistication and technology in banks. The banks, compliance to Basel II Accord<sup>1</sup> by April 2007, have increased capital adequacy, prudential supervision norms and proper credit risk management policies. As banks benchmarked themselves against global standards, there has been a marked increase in disclosures and transparency in bank balance sheets as also greater focus on corporate governance.

Consolidation, therefore, is the “new mantra” as it proved to be the only way for the survival of the smaller banks, including the Urban Cooperative Banks (UCBs) and the problematic banks with high accumulated NPAs. In case of UCBs, consolidation has become inevitable due to the RBI’s virtual ban on issue of fresh branch licenses to these cooperatives. Hence, consolidation in the banking sector might prove to be the best endurance strategy.

Foreign banks, on the other hand, can play an important role in this situation by strengthening the Indian financial market and develop the international aspect of Indian economy. With the restrictions on operations of foreign banks coming to an end after April 2009, the banking scenario would be dramatically changed. After the implementation of Basel II and heading towards Basel III norms and core banking solutions<sup>2</sup> in banking sector, smaller banks will face capital crunch and consolidation could only strengthen them.

### 1.3 A Case Study on a leading Cross-border Banking Consolidation

#### Acquisition of ABN AMRO: Tussle between Barclays and RBS Consortium

The tussle over ABN AMRO was significant for the global banking industry for numerous reasons. To start with, the tussle involved numerous banks from all parts of the world. As a result of which, it had obvious impact on the major banking markets worldwide. The bidding war was also significant due the degree of strategic movements involved in it.

The tussle between Barclays and RBS consortium had kept the options opened in front of ABN AMRO shareholders. On one side, Barclays would keep the bank’s co-operations intact and the strategic operations with CDB might give them better accessibility in the growing Asian market. While on the other side, though RBS-led consortium would give them a high take-over price, but could also split the banks into three parts. The shareholders had to evaluate the purchase considerations led down by Barclays and RBS consortium ( **Werdigier, 2007**) (**Exhibit I**).

<b>Exhibit I: Snapshot of the Merger Proposition Barclays Vs RBS Consortium</b>	
<b>Barclays Purchase Consideration</b> <ul style="list-style-type: none"><li>• The bank has lifted its offer to €67.5bn from €64.1bn</li></ul>	<b>RBS Consortium’s Proposal</b> <b>RBS:</b> RBS will keep the entire ABN AMRO market of North America, global clients and

<sup>1</sup> In June 2004, the Basel Committee issued the final version of the New Basel Accord (Basel II), a framework for risk management with three pillars: capital adequacy, supervisory review and market disclosure.

<sup>2</sup> The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, and interest calculations on loans and deposits, customer records, balance of payments and withdrawal are done. This software is installed at different branches of bank and then interconnected by means of communication lines like telephones, satellite, internet etc. It allows the customers to operate accounts from any branch if it has installed core banking solutions.

<ul style="list-style-type: none"> <li>• €42.7bn will come in Barclays shares, with €24.8bn in cash</li> <li>• ABN Amro shareholders will get €13.5 in cash and 2.13 Barclays' shares</li> <li>• The new offer values each ABN Amro share at €35.73</li> </ul> <p><b>Conditions</b></p> <ul style="list-style-type: none"> <li>• Regulatory compliance and tax clearances are prerequisites for the completion of the proposed merger.</li> <li>• Completion of employee consultations.</li> </ul> <p><b>Synergies</b></p> <ul style="list-style-type: none"> <li>• ABN and Barclays estimate that the combination will result in annual pre-tax synergies of approximately €3.5 bn by 2010.</li> </ul>	<p>wholesale businesses globally excluding Brazil, Asia and Europe excluding Antonveneta.</p> <p><b>Fortis:</b> Fortis will carve out the business unit of Netherlands, business unit of private clients globally, business unit of asset management globally.</p> <p><b>Santander:</b> Santander will get the Latin American retail and commercial banking businesses (excluding wholesale clients outside Brazil), Antonveneta, Interbank Consumer Finance.</p> <p><b>RBS Purchase Consideration</b> € 71.1 bn with a 93% cash component and the remaining in shares.</p> <p><b>Synergies</b> Minimization of execution risk and a global acceptability.</p>
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According to company sources, ABN AMRO's management preferred Barclays' offer. Moreover, apart from giving good value to the shareholders, it would also keep the company's core businesses intact. However, it was also believed that ABN had agreed to meet with the representatives of the RBS-led consortium ahead of the shareholders' meeting regarding their bid. In such a scenario, with the breaking up of scuffle between the two giants (Barclays Vs RBS consortium), the question of sustainability occupied the prime position. Measuring on a beam balance, both the banks might be endowed with same credentials.

The growing complications in the tussle between Barclays and RBS consortium proved to be a threat to the proposed takeover deal. From the monetary viewpoint, Barclays was never in a position to challenge the RBS bid. Barclay's could not even increase the bid value, as the sub-prime loan crisis was a major setback for the bank's overall operations. Finally, the wave of the sub-prime crisis pushed Barclays back from its bidding, leaving RBS to win the deal.

#### 1.4 Case Studies on Consolidation in the Indian Banking sector

In this section, three case studies have been discussed focussing on their NPA position in the pre-consolidation and the post-consolidation phase.

##### I. Consolidation of Cooperative Banks in India: A Strategy to Survive

Consolidation of the cooperative banks in India has been on their cards for long. Most of the rural and some of the urban credit cooperatives suffered since their inception, owing to aggressive lending to the priority sectors, non-marketable asset, high non-performing assets, HR complications and lack of capital adequacy. Finally, with the Reserve bank of India (RBI) issuing guidelines for mergers and acquisitions in the cooperative banking sector, many banks, especially scheduled urban cooperative banks (UCBs), are showing keen interest in taking over sick cooperative banks. According to recent news in the business standard, in the last three years, fourteen cooperative banks in the different states of India went for mergers, clearly indicating consolidation in the entire Industry. Among the banks that had been merged, some were

Vibhagiya Nagarik Sahkari Bank, Tapi Cooperative Bank, Adajan Nagarik Sahakari Bank and so on. History reveals that none of the consolidation strategies of the financial institution in the past had felt the taste of success in Indian soil due to the complications relating to aggressive HR policies, accumulated losses of the acquired institution and stringent regulations of the regulatory bodies. But, consolidation seemed to be the only remedial measure for the cooperative banks to survive and comply with internationally accepted Basel norms for banking supervision. The following case study focuses on such an issue, concentrating on how a strong cooperative bank acquires a weak cooperative bank and in the process accumulates a huge quantum of NPA.

#### **Saraswat Cooperative Bank acquires the ailing Maratha Mandir Cooperative Bank**

The Saraswat Cooperative Bank, an UCB, is planning to acquire the Maratha Mandir Cooperative Bank. This move was expected to, in the long run, ensure better protection to depositors. According to RBI directive, a cooperative bank can merge only with another cooperative bank situated in the same State or with a cooperative bank registered under Multi-State Cooperative Societies Act. This placed multi-State UCBs at an advantage since they can acquire cooperative banks from other States. Saraswat Cooperative Bank has multi-State presence. The Maharashtra government had cleared the way for Saraswat Cooperative Bank to acquire the ailing Maratha Mandir Cooperative Bank. The state government-controlled registrar of cooperative societies cleared the deal almost nine months after the acquisition was cleared by the RBI. The acquisition of Maratha Mandir Cooperative Bank added another 12 branches to the bank's network, 11 of which are in Mumbai and one in Chiplun. The deal on one hand provided a strategic advantage for Saraswat considering that the RBI had stopped issuing new branch licences to co-operative banks, but on the other hand the bank has to takeover a huge quantum of NPA of Maratha Mandir. The Maratha Mandir Cooperative Bank is shouldering an NPA burden of Rs. 53.30 crores as on November 30, 2004. The acquirer bank was planning to offer a voluntary retirement scheme for excess employees of sick banks. Furthermore, they had requested RBI to allow them to close overlapping branches of the entities they acquired and, in lieu of these, be granted the licence to open the same number of branches in other areas.

#### **II. HDFC Bank Merges with Centurion Bank of Punjab**

Independent joint valuers, global consultancy major Ernst & Young (E&Y) and chartered accountancy firm Dalal & Sons, made a presentation on the valuation parameters of the bank's proposed merger with HDFC Bank. The merger was the culmination of a search, done independently of each other, by HDFC Bank and Centurion Bank of Punjab (CBoP), to find a partner who could help them capture and ride the growth in the financial services industry more optimally. More particularly, HDFC Bank, the second-largest private sector bank in the country, had been scouting for a merger opportunity that would add scale to its operations, facilitate its expansion to every nook and corner of the country, and bring on board an experienced management team that would add to its management bandwidth. CBoP provided the perfect fit in terms of culture, strategy and approach to business.

However, the merger added certain disadvantages to HDFC Bank. Firstly, share of low-cost deposits would decline marginally as CBoP has a much lower portfolio of such deposits than HDFC Bank. Secondly, CBoP has high net NPAs of 1.31 per cent (Anand 2008). This will affect HDFC Bank's asset quality and HDFC Bank will have to take initiative for recovery of NPA.

Thirdly, employee integration would be a big issue as CBoP has a large workforce. Fourthly, technology integration would involve time and cost as the two banks operates on different platforms. Finally, to conclude with, HDFC Bank promoter HDFC had to pump in close to Rs 4,000 crore to maintain its stake at a little over 23 per cent (Anand 2008) (**Exhibit II**).

<b>Exhibit II: Financial Position of HDFC Bank &amp; Centurian Bank of Punjab in the Pre-merger Phase</b>		
<b>WILL THE NUMBERS ADD UP?</b>		
<b>A look at the figures behind the merger.</b>		
<b>PARAMETERS</b>	 <b>HDFC BANK</b>	 <b>Centurian</b>
Revenues	8,464	1,673
Operating Profit	2,811	269
Net Profit	1,143	121
Capital	319	156
EPS	Rs 36.6 per share	Rs 0.82 per share
Deposits	68,297	14,863
Balance Sheet Size	91,235	18,482
Net NPAs	0.43%	1.31%
Return On Assets	1.25%	0.66%
Return On Capital Employed	19.46%	10.60%
Capital Adequacy	13.08%	11.05%
<small>All figures are in Rs crore except where indicated and are for March, '07 Source: BT Research</small>		
<small>Source: Anand A. , "Merging to Grow", <a href="http://businesstoday.intoday.in/story/merging-to-grow/1/1735.html">http://businesstoday.intoday.in/story/merging-to-grow/1/1735.html</a>, March 23<sup>rd</sup>, 2008</small>		

The merger would lower the quality of HDFC Bank's assets. During the merger, HDFC Bank had a net NPA level of 0.43 per cent, compared to the corresponding CBoP figure of 1.31 per cent. So, even after accounting for the latter's loan portfolio, there will be an increase in the net NPA level of the post-merger HDFC Bank. Moreover, NPAs typically surface 2-3 years into the tenure of loans. So the merger had been more of a compromise, rather than a consolidation.

### III. Consolidation of SBI with its Associate Banks

India's Largest Bank State Bank of India (SBI), a major player in the banking segment of India has taken up the initiative to merge its entire seven associate banks in order to enhance its capital base and nationwide network strength. The consolidation strategy adapted by SBI involves the merger of all its associate banks – State Bank of Patiala (SBP), State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Travancore (SBT), State Bank of Indore, State Bank of Saurashtra (SBS) and State Bank of Mysore (SBM) by January 2009 (**Bhatt, 2007**). But in adapting this step, the bank had faced tremendous challenges not only from the employees union, but also due to the presence of high NPAs in the associate banks. It was never thought that SBI,

the oldest bank of the country might face such challenges before adapting consolidation strategy in order to defend the upcoming foreign competition.

The stumbling block of SBI Group in its banking operation has been the high rate of NPAs. The bank has been working according to the state directives and has worked in various government projects having minimal repayment credentials. This has led to the accumulation of high NPAs. Though the government has taken up the initiative to eliminate these NPAs through creation of Asset Reconstruction Companies (ARC), but has negligible impact on the elimination of NPAs.

SBI has been active with its consolidation efforts and over the last two years acquired two of its subsidiary banks-State Bank of Saurashtra and State Bank of Indore.

## 2. CONCLUSION

From the comparison between the global and Indian case studies on banking consolidation, some of the issues may be put forward. Firstly, In case of the foreign consolidation, it turns out to be a war between the giants to win over another giant. There is no influence from the government or any other parties. But, coming to the Indian perspective, consolidation has been quite synonymous to compromise, wherein the apex bank of the country directs and the others have to abide by the directions. Secondly, In case of the international mergers, the major focus has been the acquisition of the net worth and network of the merging banks. However, in case of the Indian banks, one of the major reasons to consolidate is to take over the bad assets of the consolidating bank. This in due course increases the NPA of the merged entity. Thirdly, Consolidation in the foreign banks has been mainly due to the mutual understanding to strengthen each other position in the global market. But the domestic mergers usually take place under the RBI directives with the sole objective of rescuing a sick bank from becoming bankrupt. Hence, in due course, the major objective of the merger is lost. Finally, the global mergers were mainly initiated to acquire the technology including the risk management system of the other banks. But the domestic mergers had very little scope in terms of technological and risk management advances, because the proposed mergers mainly aimed at improving the technology of the weaker banks and setting up of proper risk management technique.

<b>Annexure I</b>	
<b>Reforms in the Indian Banking Sector</b>	
<b>A. Prudential Measures</b>	
<ul style="list-style-type: none"><li>• Introduction and phased implementation of international best practices and norms on risk-weighted capital adequacy requirement, accounting, income recognition, provisioning and exposure.</li><li>• Measures to strengthen risk management through recognition of different components of risk, assignment of risk-weights to various asset classes, norms on connected lending, risk concentration, application of marked-to-market principle for investment portfolio and limits on deployment of fund in sensitive activities.</li></ul>	
<b>B. Competition Enhancing Measures</b>	
<ul style="list-style-type: none"><li>• Granting of operational autonomy to public sector banks, reduction of public ownership in public sector banks by allowing them to raise capital from equity market up to 49 percent of paid-up capital.</li></ul>	

- Transparent norms for entry of Indian private sector, foreign and joint-venture banks and insurance companies, permission for foreign investment in the financial sector in the form of Foreign Direct Investment (FDI) as well as portfolio investment, permission to banks to diversify product portfolio and business activities.

**C. Measures Enhancing Role of Market Forces**

- Sharp reduction in pre-emption through reserve requirement, market determined pricing for government securities, disbanding of administered interest rates with a few exceptions and enhanced transparency and disclosure norms to facilitate market discipline.
- Introduction of pure inter-bank call money market, auction-based repos-reverse repos for short-term liquidity management, facilitation of improved payments and settlement mechanism.

**D. Institutional and Legal Measures**

- Settling up of 'Lok Adalats' (people's courts), debt recovery tribunals, asset reconstruction companies, settlement advisory committees, corporate debt restructuring mechanism, etc., for quicker recovery/ restructuring. Promulgation of Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI), Act and its subsequent amendment to ensure creditor rights.
- Setting up of Credit Information Bureau for information sharing on defaulters as also other borrowers.
- Setting up of Clearing Corporation of India (CCIL) to act as central counter party for facilitating payments and settlement system relating to fixed income securities and money market instruments.

**E. Supervisory Measures**

- Establishment of the Board for Financial Supervision as the apex supervisory authority for commercial banks, financial institutions and non-banking financial companies.
- Introduction of CAMELS supervisory rating system, move towards risk-based supervision, consolidated supervision of financial conglomerates, strengthening of off-site surveillance through control returns.
- Recasting of the role of statutory auditors, increased internal control through strengthening of internal audit.
- Strengthening corporate governance, enhanced due diligence on important shareholders, fit and proper tests for directors.

**F. Technology Related Measures**

- Setting up of INFINET as the communication backbone for the financial sector, introduction of Negotiated Dealing System (NDS) for screen-based trading in government securities and Real Time Gross Settlement (RTGS) System.

Source: Mohan Rakesh, "Financial Sector Reforms in India: Policies and Performance Analysis", *Financial Sector and Economic Growth The Linkage*, 1<sup>st</sup> Edition, (ISBN 81-314-0853-1), The Icfai University Press, 2007, pages 315-316

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## Role of HR in Developing and Shaping Organizational Culture: A Study in Geometric Limited

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### Abstract

*"We found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels outperformed firms that did not have those cultural traits by a huge margin".*

John Kotter & James Heskett, Harvard Business School, Corporate Culture and Performance (1992)

**Purpose:** To study and analyze how HR play a vital role in developing and shaping organizational culture and thereby helps in achieving organizational objectives in an effective and efficient manner.

**Design/Methodology/Approach:** The research design adopted for this study is exploratory in nature. Hypotheses are formulated and proved. The researcher makes use of random sampling to select the required number of samples. The organization selected for the study is Geometric Limited, Vikroli, Mumbai. The primary data are collected through the distribution of structured questionnaires. Literature outlining role and responsibility of HR in building and shaping organizational culture is summarized.

**Findings:** HR plays a major role in developing and shaping organizational culture and could bring remarkable progress in organizational effectiveness.

**Keywords:** Organization Culture, Values, HR Manager, Leadership, Geometric Limited and Shared Meaning.

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## 1. INTRODUCTION

Culture has been an important and viable term to understand human societies and groups for a long time. Similarly culture also defines an organization. Here the culture is termed as organizational culture. According to **Margardt (2002)**, culture is an organization's values, beliefs, practices, rituals and customs. Every organization has its own culture. An organizational culture is understood as a characteristic of the day-to-day environment as seen and felt by those who work there (**Wallace et al., 1999; Choueke & Armstrong, 2000**). Organizational culture forms the glue that holds the organization together and stimulates employees to commit to the organization and to perform. It is concerned with how employees perceive the characteristics of an organization's culture irrespective of they like or dislike them. In current management literature on organizational culture for example **Deal and Kennedy (1982)**, **Peters and Waterman (1982)** and **Schein and Edger (1990)**, culture is widely understood as an instrument to be used by management to shape and control in some way the beliefs, understandings and behaviors of individuals, and thus the organization to achieve specified goals. Strong organizational culture can take the organization to a new height, whereas sometimes it can be the major resistance for change management.

Here comes the role of human resource management in managing the organizational culture in the best way for the highest benefit of the organization. The main purpose of this research is to study and analyze how HR plays a vital role in developing and shaping high performance organizational culture and thereby helps in achieving organizational objectives in an effective and efficient manner. If high performance is generated by people, the people-specialist function should be uniquely well placed to act as change agent and culture builder.

## 2. LITERATURE REVIEW

### 2.1 Culture and Organizational Culture

Culture is the complex mixture of assumptions, behaviors, stories, myths, metaphors, and other ideas that fit together to define what it means to be a member of a particular society. From the last few decades of the 20th century until now, there have been extensive researches on organizational culture. Over the last few years, the evidence confirming the strength of the relationship between culture and performance is simply becoming overwhelming. Various definitions have been given to the concept of organizational culture within the context of anthropology, organizational psychology and management theory. These are as follows:

- The dominant values that are espoused by the organization.
- The philosophy that guides the organization's policy toward employees and customers.
- The way things are done around here.
- The basic assumptions and beliefs that are shared by members of an organization.
- Organizational culture is the set of important understandings, such as norms, values, attitudes, and beliefs, shared by organizational members.

**Gibson et al. (1991)** described organizational culture as personality or feel of the organization, explaining how the organization and the people within the organization behave in different circumstances. According to **Johnson (1992)** organizational culture consists of various stories, myths, rituals, symbols, routines and control systems. Organizational culture holds the

organization together and encourages employees not only to perform well but also to feel committed to the organization (Wilderom et al. 2004). Numerous studies illustrate the role organizational culture plays in the performance and efficiency of an organization (Furnham & Gunter, 1993; Inkpen, 1996; Cullen, 2002).

From the above definitions it can be summarized that, organizational culture refers to a system of shared meaning. It is the set of important understandings, such as norms, values, attitudes, and beliefs, shared by organizational members.

According to Schein (1990) organizational culture is a pattern of basic assumptions; invented, discovered or developed by a given group...as the correct way to perceive, think and feel in relation to cope with problems. In his view culture exists on three levels: *Artifacts, Espoused Values, and Underlying Assumptions*. *Artifacts* are the first level of organizational culture. These are the things that one sees, hears, and feels when one encounters a new group with an unfamiliar culture and these things come together to define a culture and reveal what the culture is about to those who pay attention to them. These include products, services, and even behaviour patterns of the members of an organization. For example in case of an organization: is there a certain way that people dress? Is it a regular feature to celebrate every employee's birthday? *Espoused Values* are the second level of organizational culture. These are the reasons given by an organization for the way things are done. As per Schein most organizational cultures can trace their espoused values back to founders of the culture. For example at DuPont, many products and procedures are a result of the espoused value of safety. *Basic Assumptions* are the third level of organizational culture. These are the beliefs that are taken for granted by the members of an organization. Culture prescribes the right way to do things at an organization, often through unspoken assumptions.

The study conducted by Harvard Business School researchers John Kotter and James Heskett over a period of 11 years by taking more than 207 companies such as IBM, Wal-Mart, Procter & Gamble, Time, Swiss Air, Digital Equipment, 3M and Hewlett-Packard etc. determined which factors make some organizational cultures more successful than others. If success factors could be isolated, they reasoned, and then companies could embark on programs to change their cultures in order to be more successful. Kotter and Heskett identified two levels of culture i.e. "visible" and "invisible". The visible level includes the behavior patterns and styles of the employees. The invisible level includes the shared values and assumptions that are held over a long period of time and is more difficult to change. According to the two researchers changes in the behavior patterns and styles over time can lead to a change in the more deeply held beliefs.

This study indicates that culture has a strong and increasing impact on the performance of organizations. But performance of the organization has a direct linkage with the people of the organization thereby making the role of HR very important.

The key characteristics (both structural and behavioral) along which culture differs are:

- **Individual Initiative:** It is the degree of responsibility, freedom, and independence that individuals have.
- **Risk Tolerance:** It is the degree to which the employees are encouraged to be aggressive, innovative, and risk-taking.

- **Direction:** It is the degree to which the organization creates clear objectives and performance expectations.
- **Integration:** It is the degree to which units within the organization are encouraged to operate in a coordinated manner.
- **Management Support:** It is the degree to which managers provide clear communication, assistance, and support to their subordinates.
- **Control:** It is the number of rules and regulations, and the amount of direct supervision that are used to oversee and control employees' behavior.
- **Identity:** It is the degree to which members identify with the organization as a whole rather than with their particular work group or field of professional expertise.
- **Reward System:** It is the degree to which reward allocations (i.e. salary increases, promotions) are based on employee performance criteria in contrast to seniority, favoritism, and so on.
- **Conflict Tolerance:** It is the degree to which employees are encouraged to air conflicts and criticisms openly.
- **Communication Patterns:** It is the degree to which organizational communications are restricted to the formal hierarchy of authority.

Organizational effectiveness requires that the organization's culture, strategy environment and technology be aligned. The stronger the organization's culture the more important it is that the culture fits properly with these variables. The successful organization seeks a good external fit- its culture can be shaped to its strategy and environment and internal fit- its culture properly matched to the technology.

#### **How a culture does begin?**

The founding fathers/mothers of an organization traditionally have a major impact in establishing the early culture. They have a vision and mission of what the organization should be. The organization's culture results from the interaction between the founders' biases and assumptions and what the original members whom the founders initially employ learn subsequently from their own experience.

#### **What reinforces and sustains them once they are in place?**

The three forces that play most important part in sustaining a culture are:

- Organization's selection practices
- The actions of top management
- Organization's socialization methods

#### **How do employees learn culture?**

Culture is transmitted to the employees in a number of forms such as:

- **Stories:** They contain a narrative of events about the organization's founders, key decisions that affect the organization's future course, and the present top management. For example Ford Motor Company.
- **Rituals:** Activities such as recognition and award ceremonies, year-end parties, baby's day out, annual company picnics are rituals that express and reinforce the key values of the organization.

- **Material symbols:** The design and physical layout of spaces and buildings, furniture, executive perks, and dress attire are material symbols that convey to employees who is important, the degree of social equality desired by the top management and the kinds of behaviors (risk-taking, conservative, authoritarian, participative, individualistic, and social etc.) that are appropriate. For example Bank of America
- **Language:** Many organizations and units within the company use language as a way to identify members of a culture or sub-culture. Some organizations, overtime, develop unique terms to describe equipment, offices, key personnel, suppliers, customers or products that relate to the business.

**Robert A. Cooke (Cook & Lafferty, 1987)** introduced the Organizational Culture Inventory (OCI) instrument for measuring organizational culture. OCI measures twelve behavioral norms and these norms have been grouped into three culture types which are as follows:

**The constructive cluster:** This culture types consists of behavioral norms that represent interaction of the members with colleagues and also the way organization members achieve their goals. The four behavioral norms in this category are: achievement, self-actualizing, humanistic-encouraging, and facilitative.

**The passive/defensive cluster:** In this culture types members have sufficient knowledge and they help each other and interact in ways with other members that normally do not threaten their own security. This culture type consists of approval, conventional, dependent, and avoidance.

**The aggressive/defensive cluster:** This culture type includes behavioral norms like oppositional, power, competitive and perfectionist. Members who ask for help are considered weak. Therefore, members in this culture type complete task in such a way that protects their status.

According to strong culture hypothesis (**Dennison, 1984**) if an organization's culture is to contribute to enhanced performance, it must be both 'strong' and possess distinctive 'traits': particular values, beliefs, and shared behavior patterns. Some scholars have claimed that positive cultural traits boost performance in proportion to the strength of their manifestation.

## **2.2 The Role of HR in Developing and Shaping Organizational Culture**

The three 'traditional' main areas of HR responsibility are:

1. Transactional HR (administration, employment law, pay and benefits, special advice, recruitment and selection etc.)
2. Issues relating to capability development and talent management (management development, leadership development, training, performance management, retention initiatives, and strategic planning etc.)
3. Issues relating to organization development and effectiveness (cultural change, cost-reduction initiatives, knowledge management, innovation, performance climate, re-engineering initiatives, industrial relations/consultation, and communications etc.)

In carrying out these roles, HR professionals are required to wear different 'hats' – as coach to line managers, architect of policies, designer of structures and facilitator of change processes, in addition to being expert in HR processes.

As the steward of organizations HR plays vital role (especially advisor and coach involving both strategic and tactical work) in helping to create, support, and enable a positive organizational culture through managerial action, selection, training and socialization, structural design,

empowerment, leadership, performance evaluation, and reward systems. Culture is created in the organization by how the business is run, by every decision made, how priorities are assigned, how a person is promoted and how meetings are conducted. Culture is not a stream of work that happens off to the side of the business. The 'walk' of every executive in their daily life sends signals much stronger than any initiative that can be planned to build the culture. The HR team can play an important part in role modeling, in addition to their likely contribution as the managers of some of the cultural initiatives their organization may choose to take on. To influence in a credible fashion, HR functions must first and foremost be a model for the future culture themselves. If a high performance culture is the goal, it is completely unacceptable for the HR function to carry poor performers within its ranks. If collaboration across the business is a priority for the business strategy, the HR function should be leading the way through transfer of best practice across divisions, working well with other functions and avoiding duplication of effort. HR department is a visible Role Model, communicates ethical expectations, provides ethical training, visibly rewards ethical acts and punishes unethical ones and provides protective mechanisms. Cultural Management is crucial for HR professionals. An important perspective of change and cultural management deals with developing new patterns of behaviour and mindsets among employees. Having realized this some organizations have initiated several culture awareness programs. When measuring culture, the HR department is often one of those with the largest gap to close in terms of being closest to the organization's target culture. Perhaps HR practitioners see the negative elements of culture most clearly and are personally affected by this.

### **3. OBJECTIVES OF THE STUDY**

Realizing the contribution of role of HR towards organizational culture, in order to achieve the goal of organizational improvement and individual development, which are the buzzword of the hour and after extensive review of the literature, this piece of work has been preceded with the following two objectives:

1. To study the pervasiveness of HR practices in Geometric Ltd.
2. To study the contribution of HR towards organizational culture in Geometric Ltd.

### **4. SCOPE OF THE STUDY**

The study has been undertaken in Geometric Ltd., Vikroli, Mumbai.

### **5. HYPOTHESES**

Based on the objectives as stated earlier, the following hypotheses have been proposed to be tested.

1. Values are given the most importance in Geometric Ltd.
2. HR plays a significant role in developing and shaping culture in Geometric Ltd.

### **6. METHODOLOGY OF THE STUDY**

#### **6.1 Sources of Data**

The data for the present study have been collected from two sources i.e. primary and secondary. (i)The primary data referring to contribution of HR towards organisational culture were collected by administering structured questionnaire (designed by the researcher) to the officials and wherever felt necessary interviews were held with concerned officials to elicit relevant data. (ii)

Data relating to the history of the organization, size and structure of manpower, and training have been collected from secondary sources like company records, leaflets, bulletin, and websites etc.

### **6.2 Sample Technique and Size**

For the purpose of present study the samples were selected randomly as random sampling gives each element in the population an equal probability of getting into the sample; and all choices are independent of one another. The sample consisted of 50 respondents, taking a mixture of Leads/Managers, Senior Executives and Junior Executives, in the age group of 21-40. Proper attention has been paid in selection of the sample.

### **6.3 Research Design**

The researcher has followed quantitative research, as the process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Exploratory research design has been followed. Exploratory research seeks to find out how people get along in the setting under question, what meanings they give to their actions, and what issues concern them. The goal is to learn 'what is going on here?' and to investigate social phenomena without explicit expectations.

### **6.4 Development of Instruments (Question Schedules)**

The instruments used for the purpose of data collection have been developed and tested by the researcher.

## **7. ORGANIZATIONAL PROFILE**

Geometric Limited is a specialist in the domain of engineering solutions, services and technologies. Its portfolio of Global Engineering services and Digital Technology solutions for Product Lifecycle Management (PLM) enables companies to formulate, implement, and execute global engineering and manufacturing strategies aimed at achieving greater efficiencies in the product realization lifecycle. It is headquartered in Vikroli, Mumbai, India. Geometric was incorporated in 1994 and is listed on the Bombay and National Stock Exchanges. The company recorded consolidated revenues of Rupees 6.21 billion (US Dollars 136.47 million) for the year ended March 2011. It employs over 3900 people across 10 global delivery locations in the US, Romania, India, and China. Geometric was assessed as CMMI 1.1 Level 5 for its software services and is ISO 9001:2008 certified for engineering operations. The company's operations are also ISO 27001:2005 certified.

The Vision of the organization is "to be the world's most innovative provider of product realization solutions" and the mission of the organization is "to help the customers achieve their business goals through excellence in global product realization. The organization enables this through solutions based on innovative technologies, efficient processes and world-class competencies in its people.

Unyielding integrity has been Geometrics' core ideology since its inception in 1984, and has been at the heart of each of its business relationships with its customers and partners. It translates into a simple mandate to conduct all activities with honesty and transparency. Integrity is the fundamental value that it looks for in every individual. Passion for excellence is a force that has

catapulted Geometric into an enviable league, with its own patented technologies and world class solutions. Devising innovative ways that make its solutions technologically more advanced, more effective and dependable for its customers is what this value is about. It comes from paying attention to every minute detail and a promise to excel. Customers are at the center of Geometrics' organization model, emphasizing the value that each part of the organization derives from and delivers to the customers. Driven by the corporate philosophy 'People Building Partnerships', Geometric has, over the years, successfully built enduring relationships, which have given direction to the competency growth and business models. Geometric has always operated in markets around the world, and the inorganic growth has introduced significant diversity in its workforce. At Geometric, 'global' stands for the assimilation of differences to create 'one' organization, that understands the unique needs of users across the world and also positively leverages them to meet the global vision. Geometric fosters an environment of trust and transparency, where people can freely express themselves through their talent and ideas, thus ensuring a constant sense of self-actualization. With 'empowerment', a key ingredient that drives motivation; and mutual respect that promotes learning and sharing, employees are able to create innovative solutions, which deliver on customer expectation, as well as drive the goals and aspirations of the organization and the individual.

### **7.1 Leadership**

At Geometric the Board's composition is a balanced blend of competence and experience. The Board of Directors is thought-leaders recognized in their own fields globally. Their expertise ranges across Engineering, Technology, Human Resource and Finance, allowing them to guide the Geometric management on all aspects of business and growth. Their able leadership is evident from the company's consistent growth and its long term relations with technology partners having built a reputation for innovative products and technologies. Geometrics' management team consists of young, yet seasoned professionals with vast experience, a passion to succeed and a strong vision for the company. Their dedication and commitment have been steering the company to greater heights in the national and international arena.

### **7.2 History and Milestones**

Geometric began as a part of the Godrej group, one of the oldest and largest business conglomerates of India with expertise in engineering and consumer products. Founded in 1897, the Godrej group is known for its philanthropy, besides being recognized for its values of fair, transparent and ethical dealings. Geometric was set up as a division of Godrej and Boyce in 1994. Today it is one of the leading providers of global engineering services, PLM solutions, and outsourced product development in the world. Geometric has over two decades of proven experience in CAx, PDM and MPM, as well as over six decades of experience in engineering service, providing customers unparalleled solutions for their product realization needs. Geometric's strategic alliances with global PLM giants including Dassault Systèmes, Siemens PLM Software, PTC and Oracle have further strengthened its position in the PLM space. Being one of the pioneers of software technology in India, Geometric launched one of the first drafting software on the UNIX platform as early as 1987. The very same year saw the launch of its first solid modeling CAM and FEA software. Geometric made an initial public offering in February

2000 and was listed on the National and Bombay Stock Exchanges. Headquartered in Mumbai (India), Geometric has 20 offices across the globe.

Geometric does the corporate social responsibility activity named as UDAAN to provide better access to education and career improvement opportunities to underprivileged children and youth. UDAAN stands for Understanding, Dedicated, Affectionate and Action for Nobility.

The various subsidiaries of Geometric Ltd. are Geometric Americas, Inc.(USA), Geometric Asia Pacific Pte. Ltd. (Singapore), Geometric Japan K.K. (Japan), Romani Geometric SRL (Romania), Geometric SAS (France), and Geometric China, Inc. (China).

### **7.3 Geometrics' Culture**

Geometrics' culture fosters honesty in relations with colleagues, partners and customers; respect for individuals and their personal aspirations and needs; an abiding passion to solve customer needs; and a shared sense of celebration in the daily work. Geometrics' culture plays the following roles:

- Realizing people are the most important asset.
- Respecting each individual as a human being with human dignity.
- Respecting and welcoming the diversity among individuals in terms of capacities, interests, values and cultures.
- Striving to satisfy the increasing levels of human needs, from physiological to self-actualization.

## **8. ANALYSIS AND FINDINGS**

### **8.1 Analysis of Demographic Characteristics and Findings**

Table-1 shows the demographic characteristics of the respondents.

Nearly 60 percent of the respondents were at least 21- 30 years old thus, underscoring the youthful nature of the workforce. Majority of the respondents (63) percent possess educational qualification of Bachelor in Technology. A substantial proportion of the workforce has Master Degree. There is a Manager having Doctorate Degree. This is an indication that the corporate workforce of Geometric Ltd. is composed of highly educated people. In general, the study gives a favorable picture concerning the level of education of the organization's Junior Executives, senior Executives and Leads/Managers.

About 52 percent of the respondents hold Junior Executive position, 20 percent of the respondents hold Senior Executive position and rest 28 percent are Leads/ Managers depicting a holistic point of view.

Majority of the respondents (76) percent have put in at least 4 years of service and 24 percent of respondents have put in 8 to 9 years of service. This is also an indication that the respondents have actually spent enough time in the service to capable enough to institutionalize the organizational culture within them.

### **8.2 Analysis of Data and Findings**

The major elements covered in the questionnaire were: 'Values and Beliefs', 'Rituals in Meetings', 'Communication', 'Rules and Regulations', 'Leadership', 'Performance', and 'Talent Attraction'.

The views of the respondents were ascertained on a four point scale and the ratings given as 4- Always, 3-Often, 2- Sometimes, and 1-Never. The Cronbach's alpha value is 0.767 indicating internal consistency of data.

### **8.2.1 Values and Beliefs**

#### **8.2.1(a) Consideration is given to values in the organization (Refer Figure-3)**

Mean value is 3.32, which indicates that values are significantly important. As depicted in Figure - 3, 46% of respondents viewed that organization always gives consideration to values and beliefs, whereas 40% of respondents viewed that organization often gives consideration to values and 14% of respondents viewed that organization gives importance to values sometimes. From the above analysis it is implied that near about half of the total employees strongly feel the importance of values in the organization.

#### **8.2.1(b) Organizational values are widely shared in the organization (Refer Figure-4)**

Mean value is 3.02, which is quite significant. As shown in Figure-4, 64% of the respondents viewed that organizational values are always widely shared among the employees and 14% believed that organizational values are sometimes widely shared. From the above findings it is clear that in Geometric Ltd., values govern the behavior of employees to some extent and thereby partially prove hypothesis no-1 i.e. "Values are given the most importance in Geometric Ltd."

### **8.2.2 Rituals in Meetings**

#### **8.2.2 (a) Each senior member has a room with large table and space for holding meetings (Refer Figure-5)**

With respect to the rituals followed in meetings, it is evident from Figure-5 that only 14% of the respondents viewed that each senior member has always a room with large table and space for holding meeting. The mean value is 2.66, which is not much significant. From this it is implied that junior employees are also given adequate facilities in conducting meetings.

#### **8.2.2 (b) People are indifferent to meetings and try to avoid them (Refer Figure-6)**

On being asked whether people are indifferent to meeting, 72% of the respondents viewed negatively. It is shown in Figure-6. Only 6% of respondents viewed avoiding the meeting sometimes. Also the mean value is 1.75, which is insignificant. From this it is clear that Geometrics' employees are very careful towards core activities of the organization.

#### **8.2.2 (c) There is an implied hierarchy in the sitting pattern at meetings (Refer Figure-7)**

On being asked whether there is an implied hierarchy in the seating arrangement pattern in the meeting, 74% of the respondents answered negatively. This is quite visible in Figure-7. The mean value is 1.42 which is insignificant. From this it is implied that Geometrics' employees are less egoistic in nature, which fosters team work.

### **8.2.3 Communication**

#### **8.2.3 (a) There is not much work related communication among people (Refer Figure-8)**

Asking question with respect to whether there is not much work related communication among the people, 90 % of the respondents replied negatively, as shown in Figure-8. Also the mean value is 1.98, which justifies the finding. From the analysis it is clear that communication system in Geometric Ltd. is effectively meeting organizational requirements.

### **8.2.3 (b) All Communication is in writing, mails, memos, etc. (Refer Figure-9)**

Asking question about the pattern of communication, only 20% of the respondents replied that in the organization all communication is always in writing, mails, memos etc., where as 56% of the respondents viewed in often. These are evident in Figure-9. The mean value is 2.96, which implied that it is significant to some extent. From the above analysis it is clear that there are other patterns of communication in the organization.

### **8.2.4 Rules and Regulations**

#### **8.2.4 (a) There is openness to suggestions from people at all levels of the organization (Refer Figure-10)**

The mean value is 3.52. From the above Figure-10, it is observed that 54% of the respondents viewed that there is always openness to suggestions given by the employees at all levels. This indicates more than half of the total employees believe that the organization follows the culture of openness. It shows respect towards the valuable opinions and suggestions of the employees.

#### **8.2.4 (b) Rules and regulations are given high importance (Refer Figure-11)**

As shown in Figure-11, 38% of the respondents viewed that organization often gives high importance to rules and regulations, which implied that to some extent rules and regulations are not being strictly followed in the organization. The mean value is 2.96, which is less significant.

#### **8.2.4 (c) People are busy recognizing rules and regulations (Refer Figure-12)**

From the above Figure-12, it is clear that 40% of respondents viewed that people are often busy in recognizing rules and regulations, which again implied that rules and regulations are not being strictly followed in the organization. The mean value is 2.52 which is less significant.

#### **8.2.4 (d) Organizational policies (Refer Figure-13)**

On being asked about organizational policies, it is evident from Figure-13 that 52% of the respondents viewed that organizational policies are always reviewed annually to assess effectiveness, which implied that rest 48% of respondents are not strongly favoring the effectiveness of organizational policies.

### **8.2.5 Leadership**

#### **8.2.5 (a) Leaders are expected to be unconditionally followed (Refer Figure-14)**

On being asked whether the leaders are unconditionally followed, 84% of respondents replied negatively. Also the mean value is 1.78, which is significantly low. From this it is clear that employees of Geometric Ltd. have the power to question their bosses. They do not accept and follow anything unconditionally. It is quite visible in Figure-14.

#### **8.2.5 (b) Leaders are considered as role models (Refer Figure-15)**

On the other side, from the above Figure-15, it is observed that 80% of the respondents viewed that leaders are always considered as role models for the organization and set the standards of performance. As explained earlier leaders in Geometric Ltd. are dedicated and committed to steer the company to greater heights in the national and international arena.

### **8.2.6 Performance**

#### **8.2.6 (a) High Performance is celebrated with everybody joining in (Refer Figure-16)**

From the above Figure-16, it is visible that 70% of the respondents viewed that the organization always gives importance to high performance, as it is celebrated with everybody. The mean value

is 3.66, which is significantly high. From this it is clear that Geometric Ltd. gives equal importance to both old and new employees. This is one of the important criteria for motivation. It is able to create an adaptable, change-oriented culture in which accountabilities are clear and employees are highly motivated and committed.

#### **8.2.6 (b) Performance evaluation measures an employee's adaptation to change (Refer Figure-17)**

As depicted in Figure-17, 42% of the respondents viewed that performance evaluation always measures an employee's adaptation to change, which implied that rest 58% of respondents are in favour of other functions of performance evaluation.

The Pearson Correlation Coefficient (r) between "Values and Beliefs" and "Performance" is found to be 1 which implied that culture of Geometric Limited and employees' performance are positively correlated.

#### **8.2.7 Talent Attraction**

##### **8.2.7 (a) HR department is creative in finding new ways to attract top talent among the diverse groups(Refer Figure-18)**

From the above Figure-18 it is observed that only 32% of the respondents viewed that the HR department is always creative in finding new ways to attract top talent among the diverse groups and 22% replied negatively. The mean value is 2.56, which is not much significant. This indicates that HR department has to improve a lot in terms of talent acquisition patterns.

The above analysis and findings partially prove hypothesis no-2 "HR plays a significant role in developing and shaping culture in Geometric Ltd."

## **9. SUGGESTIONS**

Though it has been observed from the analysis that HR is playing a major role, many improvements are required for the long run benefit of the organization. The following recommendations have been suggested by the researcher:

- HR leaders of Geometric Ltd. may have to take a stand for the values and behaviors that will underpin the culture of the future, and this can mean being counter-cultural oneself in the short term. There is nothing more compelling and persuasive than a division that is walking its talk. People follow leaders who do not compromise their values and standards for reasons of expediency, who keep their word, support the success of others, make and stick to clear decisions, look at themselves from the customer perspective, and are disciplined and are consistent in their approach.
- The HR people may have to become culture champions. They may demonstrate the benefits culture can deliver. They may ask for lots of feedback, measure themselves against the cultural targets they are setting, take a look in the mirror, and set HR performance expectations with both behaviour and results orientation.
- They may cast an objective eye over all of the HR policies, websites and documentation. Meeting disciplines may be strictly followed in the organization.
- The HR department may create an organizational environment where behaviour and employees' value systems together enhance organizational productivity.

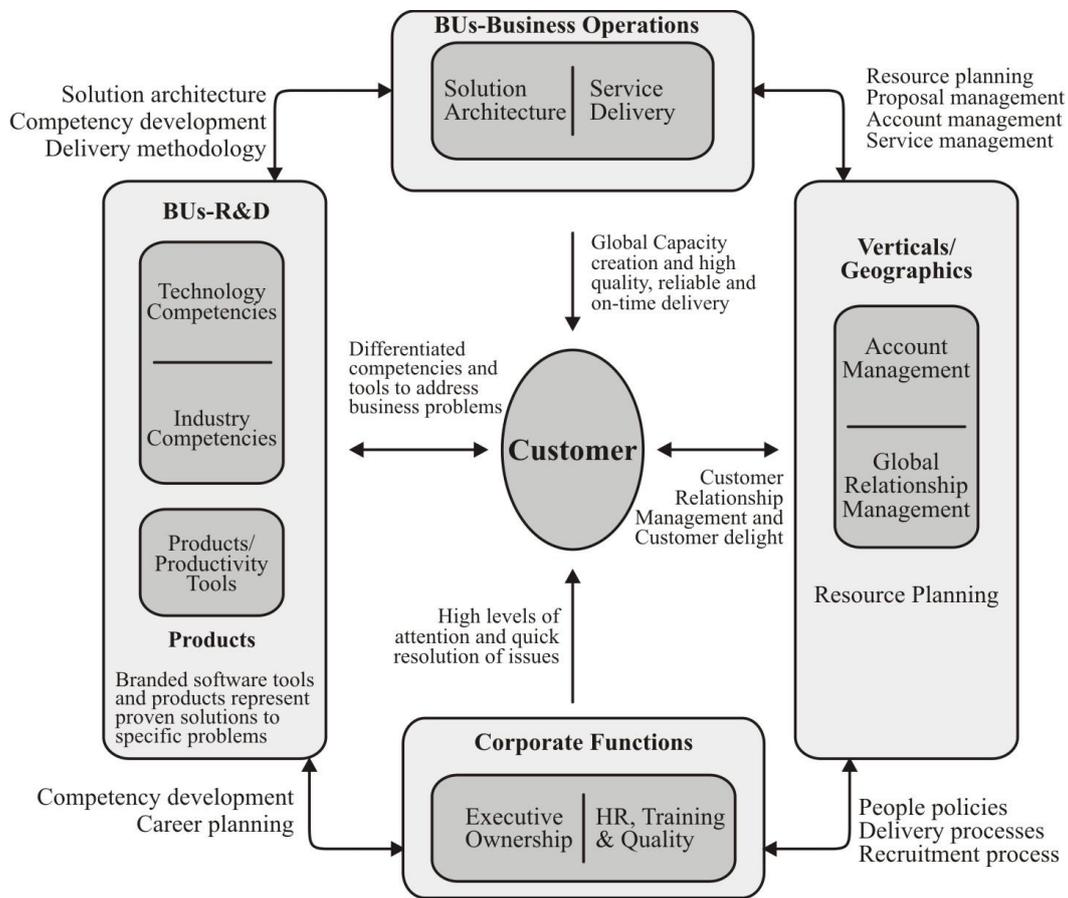
- The HR department may initiate a productive culture promoting diversity, creativity and knowledge sharing.
- The HR department of Geometric Ltd. may arrange training on harassment and discrimination prevention, whistle-blowing and retaliation, confidentiality and trade secrets, e-mail usage, blogging, Internet usage, data protection and privacy, workplace-violence prevention, and the drug-free workplace laws.
- Changes in the organizational structure or processes bring a change in employee relations. In consequence workplace attitudes too change. The HR department of Geometric Ltd. may be engaged in creating “designer employees” to foster better relations. These employees understand market requirements and the organization’s business needs better. Designer employees are comfortable when trained for efficiency and allowed flexibility in the work environment.
- To prevent knowledge drain, Geometric Ltd. needs to codify knowledge. Codifying enables easy identification of knowledge resources and ensures replenishment of the same. HR department may help in starting culture programs aiding in codifying this knowledge thereby bringing stability to the organization.
- The HR department may start culture programs helping transparent organizations and employee participation in the decision making process. Employees thereby become more responsible, committed and accountable to their work. Culture programs thus empower employees.
- Towards effective delivery of culture programs the HR department may follow: Assessment: HR may audit employee’s views and collect the feedback for a clear understanding of the prevalent culture. This helps in structuring the new set of values, Value statement: Audit of the opinions and may help forming a value statement representing the organization’s image, and Workshops: Consultation workshops may be conducted in order to acquire the most favored opinion across all functions of the organization.
- Geometric Ltd. may conduct a series of meetings with the employees to come to a consensus on the organization’s work environment and goals. Based on the information it may develop a new set of values with the objective to create a sense of bonding among the employees and the company.

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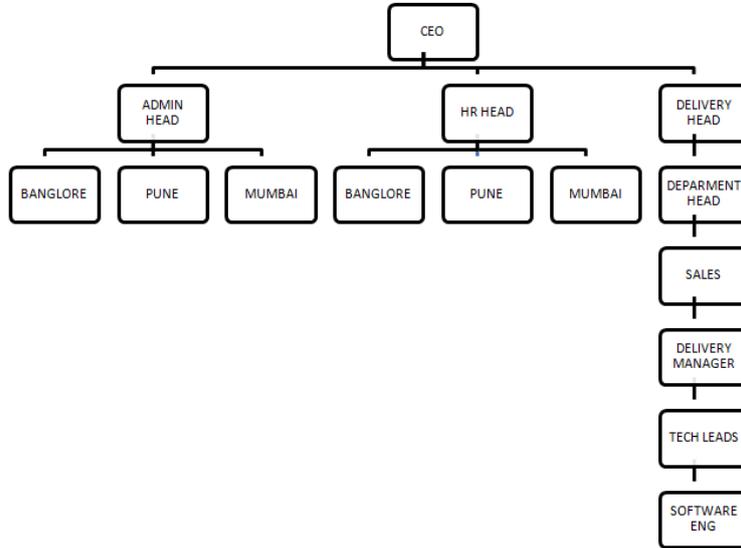
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**Figure 1: Organization Chart.**



**Figure 2:** Organizational Chart

Characteristics		Frequency	Percentage (%)
Age	21-30 Years	30	60
	31-40 Years	20	40
Qualification	B.Tech or its Equivalent	34	68
	Masters Degree	15	30
	Doctorate Degree	1	2
Designation	Junior Executives	26	52
	Senior Executives	10	20
	Leads/Managers	14	28
Years of Service	1-4 Years	38	76
	5-10 Years	12	24

**Table 1:** Demographic Characteristics of the Respondents (N=50)

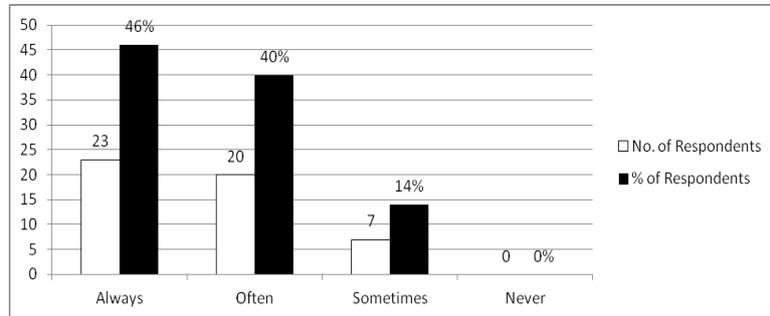


Figure 3: Consideration for values

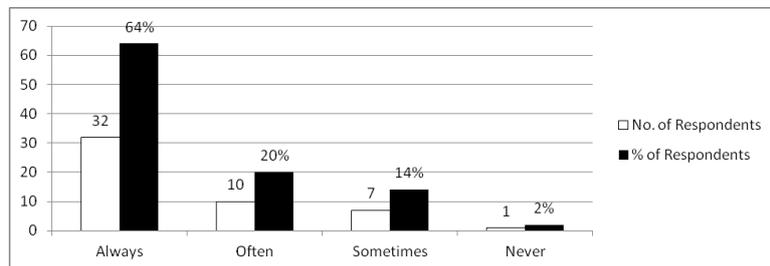


Figure 4: Organizational values are widely shared

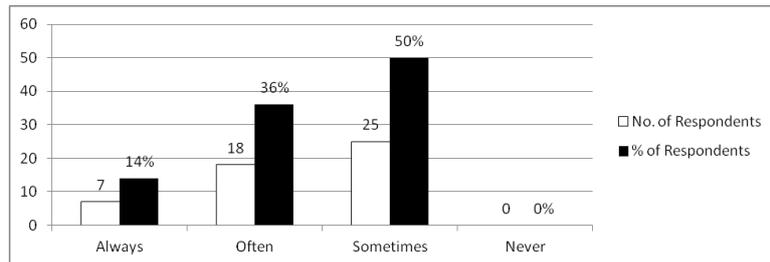


Figure 5: Each senior member has a room with large table and space for holding meetings

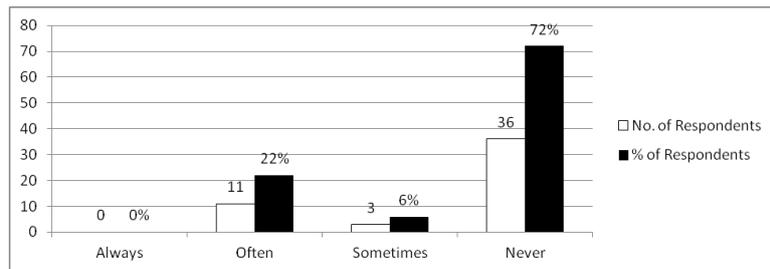
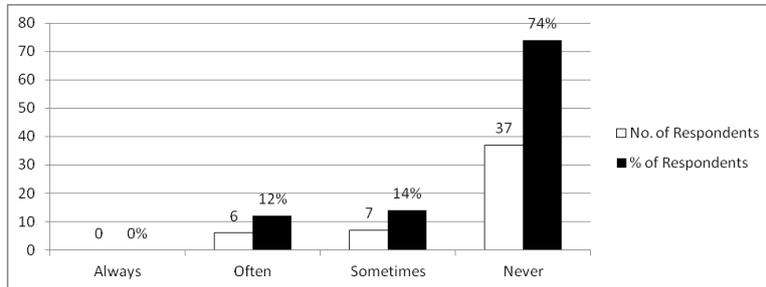
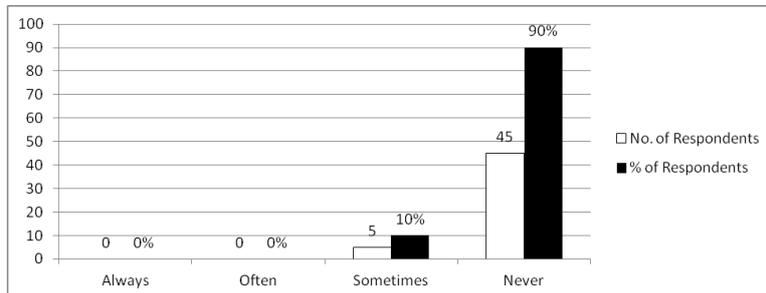


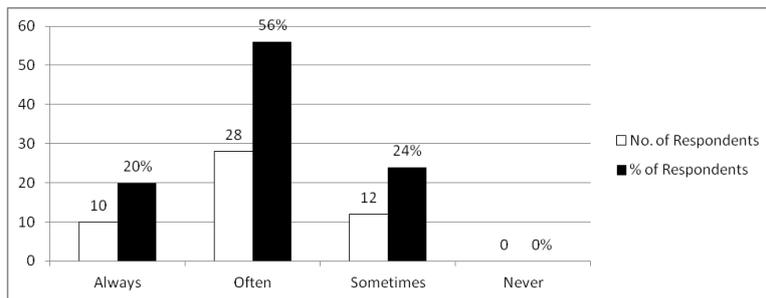
Figure 6: People are indifferent to meetings and try to avoid them



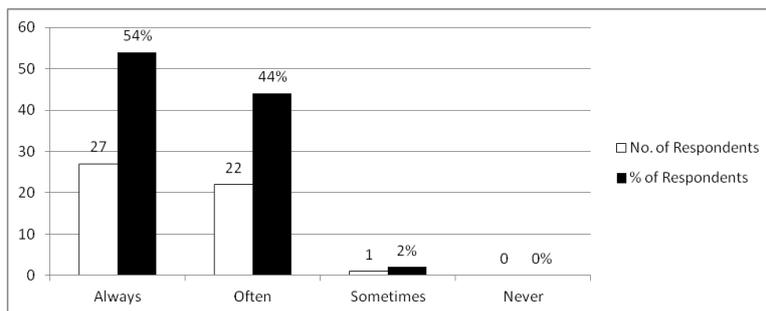
**Figure 7: Implied hierarchy in the sitting pattern at meetings**



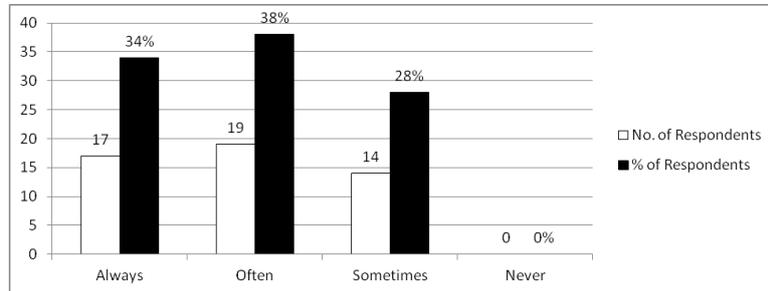
**Figure 8: Not much work related communication among people**



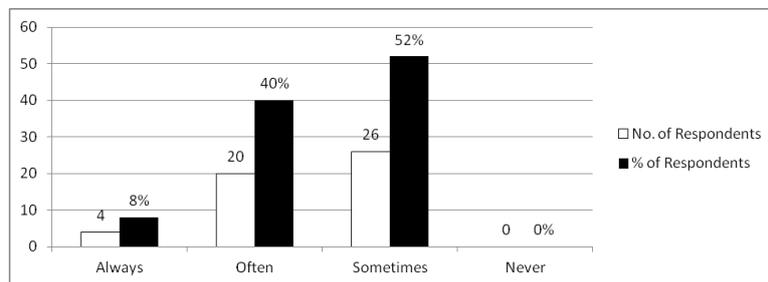
**Figure 9: All Communication is in writing, mails, memos, etc.**



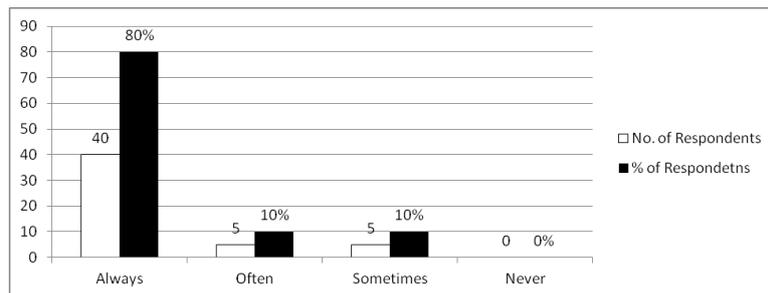
**Figure 10: Openness to suggestions from people at all levels of the organization**



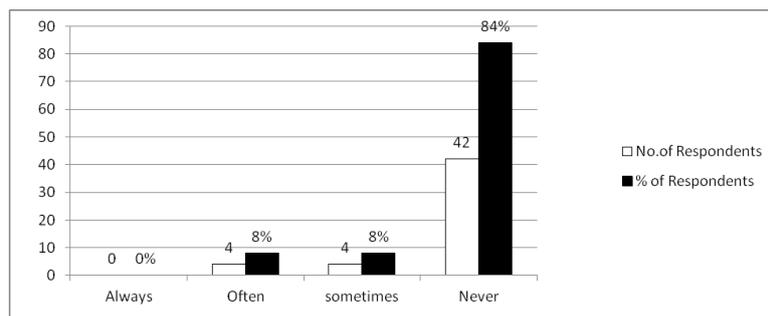
**Figure 11: Rules and regulations are given high importance**



**Figure 12: People are busy recognizing rules and regulations**



**Figure 13: Organizational policies**



**Figure 14: Leaders are expected to be unconditionally followed**

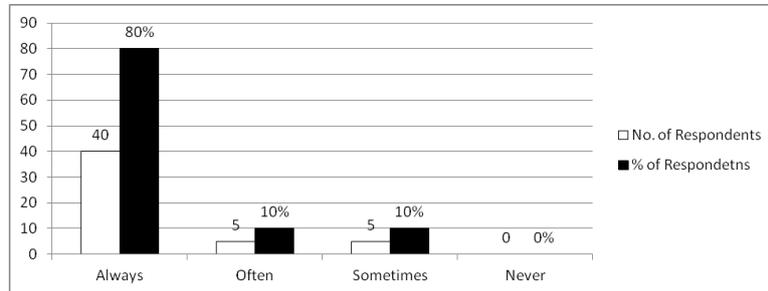


Figure 15: Leaders are considered as role models

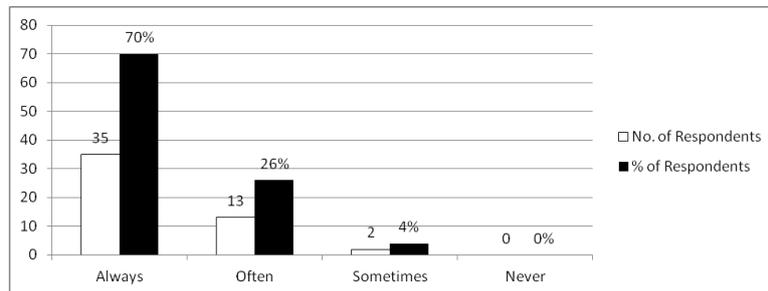


Figure 16: High Performance is celebrated with everybody joining in

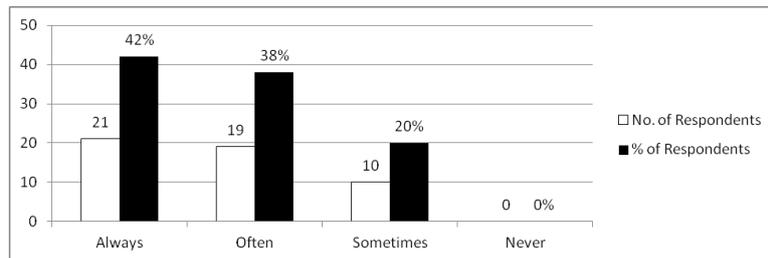


Figure 17: Performance evaluation measures an employee's adaptation to change

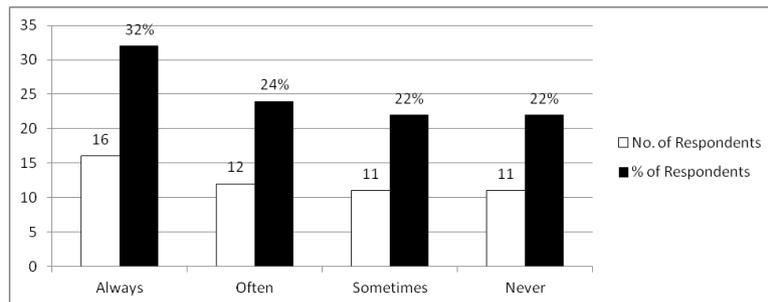


Figure 18: HR department is creative in finding new ways to attract top talent among the diverse groups.

## Capturing Robust Market Potentiality of Rural-India

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### Abstract

The real India lives in villages. While it is an emerging economic power, life remains largely rooted in its villages. There are nearly three fourth of the country's consumers residing in 6,38,365 villages, who provides a huge demand base and offers a great opportunity for all marketers, whether from Indian companies or MNCs. But poor infrastructure, lack of market information, scattered location, wide geographical area, multiple times of distribution channel, high distribution cost, poor economic position of consumers, lack of credit facilities, different socio-culture life style, lack of awareness, etc., creates hurdles. Now the LPG, IT revolution, improved infrastructure, electronic media, increased income and Indian Diaspora have entirely changed the scenario of rural marketing. The cases of ITC's 'e-Choupal' and HLL's project 'Shakti' etc. are examples of corporate efforts to capture the robust market potential of rural-India.

Present paper deals with all such matters and issues necessary to conquer untapped robust consumption potentiality of 120 million household of the 'Rural India'.

**Keywords:** National Council of Applied Economic Research (NCAER), Fast Moving Consumer Goods (FMCG), National Rural Employment Guarantee Scheme (NREGS), Annual Status of Education Report (ASER), Kisan Credit Cards (KCC).

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## **1. INTRODUCTION**

India is often described as a collection of many countries held together by a common destiny and a successful democracy. Its diverse ethnic, linguistic, geographic, religious, and demographic features reflect its rich history and shape its present and future. It is also only the second country to achieve a population of 1.2 billion. The Indian economy has seen consistent overall growth in recent years. While it is an emerging economic power, life remains largely rooted in its villages. Thus, real India lives in the villages. According to the National Council of Applied Economic Research (NCAER), about 74 percent of population is living in its villages. Thus, about three fourth of the country's population is residing in 6,38,365 villages, accounting for 50 per cent of the national income. It consists 70 per cent of the total household or say more than 12 crore households, having more than 741 million consumers.

The enormous size of rural-India provides a huge demand base and offers a great opportunity for the corporate sector. Rural Markets constitute an important segment of overall economy. India has perhaps the largest potential rural market in the world. It has as many as 47,000 haats. This steadily growing market is bigger than the urban market, in both the durables and non-durables, having 53 per cent share of total market. For consumer durables, the figure is 59 percent. In addition to this, of the total FMCG's demand in India, nearly 53 percent comes from the rural market. The annual size of the selling value in rural areas is estimated at around Rs. 5,000 crore for durables and Rs. 50,000 crore for FMCGs, which is excluding the Rs. 45,000 crore for Agri-inputs and Rs. 8,000 crore for automobiles.

This is where the fortunes of many of the biggest corporations are likely to be shaped. This is why Rural-India is becoming a key area of focus for the corporate sector. The rural areas are consuming a large number of industrial and urban manufactured products. Consumer durable companies, such as LG India and Godrej, have increased their marketing efforts in rural areas. Multinational companies as well as Indian companies like HUL, ITC, Philips, Samsung, Godrej, Procter and Gamble, Nirma, TVS, Wilkinson, L & T, Honda, Britannia, MRF, Coke, Pepsi, Colgate Palmolive, etc., are aggressively targeting the rural areas.

Corporates had realized that the urban market has come closer to its saturation. There is stiff competition and clutter in the urban market, and demand was building up in rural areas. Seeing the vast potential of rural areas, they started focusing on these unexplored, high-potential areas. Companies came up with special rural products, like Chic Shampoo sachets @ Re 1, Parle G Tikki Packs @ Rs 2, customized TVs by LG, Shanti Amla oil by Marico. All these brought positive results for them. Also, campaigns like Project Bharat by Hindustan Unilever covered 11.5 million rural households and increased awareness by 41 per cent. Project Jagruti in the second phase by Colgate Palmolive India increased penetration of Colgate Dental Cream reaching to a million houses.

## **2. STRUCTURAL PROBLEMS AND CHALLENGES**

Despite aforesaid strengths the rural markets face served weaknesses as well. The rural markets are more unstructured and were not a prioritized target location for corporate in last decade. Very few companies, mainly the agro-based ones, were concentrating in these markets. There were no innovative strategies and promotional campaigns. A distribution system did exist, but was feeble. Illiteracy, lack of technology and poor infrastructure were the other factors leading to the poor

reach of products and lower level of awareness amongst villagers. The rural markets are aptly described as towns, villages or small hamlets having poor infrastructure. Miles away in corporate boardrooms, rural India is still taken as an abstract concept. Most of senior executives like to sit through the periodic rural marketing workshop in five-star hotels, than dealing with the heat and dust of the actual market place. Thus, rural India and rural market remains the last frontier, for them.

Wide geographical area and scattered location create need of multiple numbers of tiers for distribution and make marketing functions more complicated. These wide and scattered locations, multiple tiers of distribution channel not only increase complicity but also increase the distribution cost. Due to poor infrastructure and scattered locations, the bargaining power of rural intermediaries increase and used in taking more prices and other undue advantages, such as not providing aftersale services, not offering promotional schemes, benefits and discounts offered by corporate to the customers. Due to wide and scattered locations, direct distribution through chain shops or company owned retailed outlets are also not viable. Taking products to the customers in every nook and corner of the country, through own delivery vans are also not possible for all companies, due to very high operating cost.

Economic position of rural customers is considered as low per capita income, having lower purchasing power than the urban customers. Sufficient credit facilities are also not available so the marketers have to face difficulty in getting sufficient volume of purchase orders. Rural customers belong to some different social and cultural background. A different routine, life style and needs can be observed in rural customers in comparison to urban customers. So it is also questionable that the products basically designed and launched for satisfying the needs of urban customers will also suit the rural customers.

There is lack of awareness about Consumer Protection Act 1986. Consumer protection councils of lodging complaints to the industrialist consumer councils, etc., in rural customers. So they easily become the soft target of inferior quality, duplicate, fake or illegal products manufacturer marketers. There is lack of market information as well. The rural customers know little about different brands, their near competitors, their prices, their quality and other product information. So, many times they are unable to take wise purchasing decisions. In the absence of marketing information and data, the marketers also face difficulty in making plans, analysis, forecasting and research works, etc.

### **3. INCREASING PURCHASING POWER**

But now the entire perspective is being transmuted. Rural markets have been changing drastically since the last decade. Earlier the disposable income of villagers was very low, but now the experts observe that there increase in their income. Agriculture production is growing year by year putting more money in rural consumers' hand. Because of good monsoon in last few years, agriculture production has increased year by year, putting more money to rural people. This is also a result of regulated markets with an aim to see that the agricultural produce get better prices. The advent of commercial and market oriented farming, with the help of modern agricultural technology, necessitated the use of manufactured inputs like fertilizers, pesticides,

high yielding varieties of seeds to improve rural produce. Now, almost one third of the national income is generated in rural areas. The marketers are expecting rural market boom due to increasing the purchasing power of rural consumers. According to NCAER study, there are almost twice as many "lower middle income" households in rural India as in the urban areas.

- At the highest income level, there are 2.3 million urban households as against 1.6 million households in rural areas.
- Middle and high income households in rural India were expected to grow to 111 million by 2007.
- In urban India, the same was expected to grow from 46 million to 59 million.

The academicians also agree with these upbeat views of a rural resurgence. "Policy measures like the waiver of agricultural loans to the tune of US \$13.9 billion and the National Rural Employment Guarantee Scheme (NREGS) have really put cheer into the rural economy," says Devi Singh, director of the Indian Institute of Management, Lucknow (IIML). "The Bharat Nirman program with an outlay of US\$34.84 billion for improving rural infrastructure is another step that has helped the rural economy. To some extent, the growth of organized retail can also be held responsible for the rural economy's growth, as this has ensured that farmers get a better price for agricultural produce. The MSP set by the government has been rising further, fuelling rural growth by putting more money into the hands of the rural population."

"Income of rural people is entirely disposable income, unlike what it would be in urban India. If a farmer in rural area earns US \$1, all of it is his to dispose off as he pleases. The same income in the hands of an urban person, who is possibly a tech worker, is actually not US \$1 of disposable income. It is most likely 67 cents; the rest goes as tax. The farm economy, with zero-tax on farm income, creates far more disposable income. Buying power in the hands of the rural rich is higher than the buying power of the urban rich," explains Bijoor.

#### **4. IMPROVING FACILITIES**

Improving infrastructural facilities and media revolution have changed the entire scenario of rural India. As a result, retail outlets have sprung up in practically all the villages that store products of various brands and categories. Also, high congregation areas, like fairs, haats, markets etc. are proving to be an important marketing tool since clusters of target audience can be tapped at the same time and place. 'Go rural' has become the new slogan for the marketers. The marketing arena has shifted now from cities to villages. A large population, rising farm incomes and inspiring infrastructure has translated great opportunities with a sizeable rural presence. Following factors have been recognised for the rising significance of rural markets:

- Increase in educational facilities and literacy.
- Increase in rural income due to better monsoon in recent years.
- Changing buying behaviour and consumption pattern.
- Increasing facilities of information, communication and electronic media.
- Improving overall infrastructural facilities, like road, electricity, etc.

- Rural development and investment programmes by Government agencies.
- Prosperity through land reforms and adopting modern agriculture systems.
- Existence of rich rural consumers having close contacts to urban areas.
- Increase in rural population, remittances and direct investments in rural areas.
- Inflow of foreign goods, remittances and direct investments in rural areas.
- Cut thought competition and saturation of demand in urban areas.

Thus, agriculture reforms through Plans, easy availability of agriculture credit, facility of Kisan Credit Cards, Rs. 60,000 crores village road program, connecting nearly 1.9 lakh villages, and improved communication network gave a huge fillip to the rural economy and income, resulting in higher penetration as well as increased consumption rate. Adi Godrej denotes, "Rural marketing is vibrant at the current rate of growth and it will soon out-strip the urban market." The trends indicate that the rural markets are developing massively and growing manifold as fast as urban, even better than urban. Some impressive facts about the rural sector are:

1. The number of middle and higher income families (having Rs. 70,000 plus annual income) in rural (21 million) and urban (24.2 million) is nearly the same.
2. An ASSOCHAM report on rural consumption says that in three years the per capita income in rural areas will double. Considering that rural households form 72 per cent of the total, the rural market roughly comprises 720 million customers.
3. 24 million Kisan Credit Cards (KCC) issued in rural areas exceeds the 17.7 million credit cards plus debit cards issued in urban India. A whopping Rs. 52,000 crores has been sanctioned under KCC scheme.
4. LIC sold 55 percent of its policies in rural India.
5. Of the BSNL mobile phone connection 50 percent are in rural.
6. Of the millions who have signed up for rediffmail, 60 percent are from small towns. Of the lakhs who transact on rediff online shopping site, 50 percent are from small towns.
7. The global market for mobile based transactions, due to rural markets, is projected to be worth more than \$ 500 billion by 2011.

The consumption pattern and buying behaviour of rural customers are changing day by day. Increasing income is one of major influencing factor for them. Price affordability, taste etc., mostly influences the consumption habits of rural people. A survey reflects significant relation between consumer income and use of some branded FMCG products in a rural area (table no. 1). They want to acquire the facilities and products used by urban customers and adopt the similar life style. As per the NCAER study, there are as many 'middle income and above' households in rural areas as there are in the urban areas. There are almost twice as many 'middle income' households in rural areas as in the urban areas. At the 'highest income level' there are 2.3 million urban households as against 1.6 million households in rural areas. As per a statistics of NCAER, the penetration level and consumption pattern, in respect of all types of FMCG products, has shown positive increase in past years. This reflects the opportunities in rural markets available for marketers.

**Table-1: Consumer Income and use of Branded Products**

Brand	Consumer Income Group			Total	Percentage
	Below Rs. 2000	Rs. 2000-4000	Rs. 4000 & above		
<b>Branded Toilet Soaps</b>					
Lux	02	05	08	15	30
Santoor	03	02	02	07	14
Lifebuoy	07	06	04	17	34
Liril	-	03	05	08	16
Nirma	01	02	-	03	06
Total of toilet soaps	13	18	19	50	100
<b>Branded Washing Soaps</b>					
Green Wheel	2	4	3	9	18
Sun light	2	8	2	12	24
Rin	-	2	9	11	22
Nirma	3	4	5	12	24
Sona	6	-	-	6	12
Total of washing soaps	13	18	19	50	100
<b>Branded Tooth Paste and Powder</b>					
Colgate	-	4	8	12	24
Promise	-	3	3	6	12
Babool	2	-	2	4	8
Pepsodent	-	4	5	9	18
Bytco tooth powder	7	4	-	11	22
Baidynath tooth powder	4	3	1	8	16
Total	13	18	19	50	100
<b>Branded Tea</b>					
Superdust	3	5	9	17	34
Pariwar	3	6	3	12	24
Red label	-	3	4	7	14
Tajmahal	-	2	3	5	10
Loose tea	7	2	-	9	15
Total	13	18	19	50	100

Source : *Indian Journal of Commerce*, April-September 2008, p. 31.

## 5. EMERGING MARKETING STRATEGIES

Rural marketing has changed its concept and scope over the years. Small villages and towns, which were mere dots on maps, are now getting the attention of global marketing giants and large scale manufacturers. Rural market revolution is creating direct impact on life style of rural consumers. Most of the large companies and marketers are targeting rural market to promote sale of their goods. To reach rural markets, they mostly apply urban market strategies, with suitable

modifications, to satisfy the different needs, buying behaviour and consumption pattern of rural customers.

The following strategies were adopted by different companies to attract the rural consumers:

- HINDUSTAN LEVER's 'Operation Bharat', covering 22 million new households in villages in India.
- SAMSUNG offered some of its color TV models in less than Rs. 5,000 to attract rural market.
- HERO MOTOCORPS has established mobile service centers to take care of rural customers.
- COKA COLA, evolved a hub and spoke distribution model to reach the villages.
- LG defines all cities and towns other than the metro cities as rural and semi-urban markets.
- TVS redesigned and modified its motorcycle to suit the rural conditions and customers.
- MRF organized tyre clinics, called the tractors owners meet for exhibition, help and advice.
- PROCTOR AND GAMBLE adopted distribution strategies of covering every village or town having population of 5000 persons.
- BRITANNIA's low priced and conveniently packed Tiger brand biscuits became a success story in rural marketing.
- LIFE INSURANCE CORPORATION used puppets to educate rural masses about the life insurance policies, which was considered successful.
- NIRMA soap captured the rural market by selling its product at half the price of its rival brands of same quality.
- HUL sold 50 ml shampoo bottle at 6 rupees did not succeed, but its 4ml sachet picked up much faster.
- WILKINSON deputed salesman to villages wherever it launches a new blade as seeding operation.
- LIFEBOUY used unconventional media like fairs, festivals, hosts for generating awareness in rural areas.
- COLGATE attracts rural customers through smaller units and lesser-priced packs making sense of increasing affordability.
- USHA INTERNATIONAL LIMITED conducts dealership conference and workshops in rural areas.
- RECKITT AND COLEMEN used NGOs in rural areas to educate customers about product benefits.
- BROOK BOND AND LIPTON INDIA LIMITED marketed its rural brand through magic shows and skits.
- GODREJ has planned to setup service centers in rural areas.

Major domestic retailers like AV Birla, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloan-Godrej JV), Choupal Sagars/ e-choupal (ITC), Kisan Sansars (Tata), Reliance Fresh, Project Shakti (Hindustan Unilever) and Naya Yug Bazaar have established rural retail hubs. DCM Shriram Consolidated (DSCL) has undertaken the process of improving the business model of the rural retail chain of the company, in order to strengthen the company's system of product sourcing. 'Rural melas' are being organised by Godrej in order to access potential rural consumers. Wipro BPO, the BPO arm of Wipro Technologies launched its first rural BPO centre at Manjakkudi Village in Tamil Nadu in

August 2011. In October 2011, Infosys BPO inked an agreement with the Government of Andhra Pradesh to open rural BPO centres in 22 districts.

Project 'Shakti' is HULs smart way to use self help groups, to directly cater to 1 million homes every month in villages, where traditional distribution systems cannot hope to enter. 'E-choupal' is ITC's much-feted business model to build a trading platform with rural India that already touches 3 million farmers. The business areas of HUL and ITC match in several ways (table No. 2), but the approaches of both in study contrast in many ways (table-3). This isn't a typical corporate battle where there is a winner and a loser.

Fast Moving Consumer Goods (FMCG) giant HUL is targeting to reach 100 million rural consumers through its women focused rural marketing initiative project 'Shakti'. The company expects to boost rural demand for its products by creating around 25000 Shakti entrepreneurs who act as direct-to-home rural distributors covering 1 lakh villages across the country by then. The company is also getting an encouraging response from state governments and NGOs. Similarly, ITC's rural business arms through 'e-choupals' marks a new beginning using unconventional e-commerce channel. ITC aims to create the biggest agricultural distribution system in India by linking farmers to market, with the help of Internet, through 'e-choupal'.

**Table-2: Business of HUL and ITC (Figures in Percentage)**

HUL	June 2011	June 2010	ITC	June 2011	June 2010
Soaps & Detergents	9.2	10.9	Cigarette	29.9	27.9
Personal Products	25.3	24.8	FMCG	6.3	8.9
Beverages	12.3	12.8	Hotel	20.2	17.1
Packaged Foods	4.5	8.1	Agri	9.1	9.5
Exorts	7.8	8.7	Paper	22.4	22.6
Overall Operating Profit Margins	12.7	13.1	Overall Operating Profit Margins	21.3	20.6

Source: Companies' data.

In various surveys it has revealed that men play an important role in decision-making and purchase of most of the household products in rural areas. But the initiative by HUL breaks that mind set and shows the increasing participation of women in household decision making. HUL plans to use women in rural areas as their distributors. On the other hand ITC wanted to see the e-choupal as a commercial operation and hence capable of replication throughout India without political subsidies and intervention. ITC hired farmers and traditional middlemen to help in runing e-choupals, harnessing their traditional knowledge. ITC is creating several e-choupals every day, and has already established over 4000 of them, connecting 21000 villages and empowering 2.4 million farmers.

On the rural retailing front, ITC has undertaken several activities to enhance engagement with rural consumers. "Distribution of FMCG products in rural markets through the e-Choupal network gained traction with throughput during the year 2009-10 recording an increase of 44%. Plans to expand reach to more than 50,000 villages over the next 1 year are on the anvil," added Sivakumar. HUL has embarked upon an aggressive coverage expansion project for its rural and

urban business. As part of its rural marketing strategy, HUL has launched Khushiyon Ki Doli, an initiative in Uttar Pradesh, Andhra Pradesh and Maharashtra. "During this year, over 14 million consumers would be contacted through this initiative in over 35,000 villages. We are strengthening our go-to-market capability to increase our rural and urban distribution," said a spokesperson from HUL.

**Table-3: Comparative Approaches of HUL and ITC**

Basis	HUL	ITC
1. Turnover	Rs. 10,245 crore	Rs. 12,039 crore
2. Market capitalisation	Rs. 28,846 crore	Rs. 34,033 crore
3. Name of programme	'E-choupal'	'Shakti'
4. Model	Use self-help groups across the country to push HUL products deeper into the hinterland	Use proprietary network of intermediaries for procurement and distribution.
5. Goal	Non-executive chairman Vindi Banga believes Shakti can be as large as the current size of HUL in a decade.	To account for 7% of India's GDP by 2020. Revenue from e-Choupals to overtake that from tobacco by 2010.
6. Current size of business	A litter over Rs. 100 crore	Rs. 850 crore (sourcing) + Rs. 50 crore (distribution)
7. Targeted size	Rs. 1000 crore by 2007	Rs. 4,000 crore (sourcing) + Rs. 3,000 cr (dist.) by 2010
8. Current coverage	13,500 Shakti dealers, mostly women in 60,000 villages	5,050 kiosks in 31,000 villages
9. Targeted coverage	In next 5 years, HUL plans to have 50,000 Shakti dealers in 2 lakh villages.	20,000 Choupals in 1 lakh villages by 2010.

Source : *Business World*, 2<sup>nd</sup> May 2005.

Traditional distribution channels become more costly, due to low density of population in rural areas. The direct distribution channel by project 'Shakti' helps in reducing cost of distribution for the company and on the other side the rural customers get benefit in terms of superior quality and original products. The final results of such initiatives are yet to be proved but the survey findings were in tune with the initial response that the said project has achieved. With more than 2800 women entrepreneurs registered in 12000 villages across 100 districts of five states namely Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh and Chhattisgarh the initial response is encouraging. The project was piloted in 50 villages of Nalgonda district of Andhra Pradesh in 2001. In Gujarat it covers 11 districts in north Gujarat and Saurashtra through 330 entrepreneurs and is targeting 2000 women in Gujarat alone over the next 18 months.

Now Shakti has rolled out in Uttar Pradesh as well. The Shakti entrepreneurs, many of whom had been below the poverty line, were now earning Rs. 1000-1500 a month. Similarly for ITC the idea

seemed unattainable in the beginning, but later it won the first world business award instituted jointly by International Chamber of Commerce, the United Nations Development Programme and the HRH Prince of Wales International Business Forum. E-choupal provides an easy and cheap medium for buying and selling products. If the model succeeds, these e-choupals can easily replace the traditional mandi system. ITC also plans to sell its e-choupal data to interested food and beverage companies.

ITC is offering a readymade channel for companies that are finding it hard to reach the customers in small villages and towns, for niche advertising, micro marketing and distribution. Similarly its model Rabo India Finance Pvt. Ltd. Has also planned for setting up Agri-service centers in rural areas. The idea was to get in tie up with companies like Mahindra & Mahindra, Escorts and Rallis for setting up Agri-service centers in rural areas. For FMCG Company HUL, over 60% of sales come from rural markets, while P & G, Britannia and Colgate, etc., are eyeing rural markets for similar results. Even the demand of consumer durables like refrigerators and television is mainly coming from rural market. Pepsi, Coca Cola and other soft drinks are getting more and more market in rural areas.

## **6. CAPTURING THE MARKET POTENTIALITY OF RURAL-INDIA**

To capture the market potentiality of rural-India, it is essential for marketers to know the rural areas, the rural people and their practices very well. The rural market is so wide and vast that it is difficult to cover and reach. One segment is totally different from other segments. Every district, region and state is different from others. The whole India is different in itself and even then it is an ideal example of a country having different cultures. The rural markets are also full of challenges because of its characteristics like illiteracy, distances, vast markets potential, communication, rail and road transportation, distribution of products and services, understanding consumer behaviour, socio-cultural factors, languages, lack of infrastructural facilities etc. So such matters should be very carefully tackled.

Rural-India is incredible. Knowing Rural India for marketers is a very difficult task, its spirit, feelings, warmth, distinctness, shyness, innocence is beyond their expectations. If marketer/salesmen try to cheat the rural people, they feel disgusting and try to make distance from these people. Next most important point is that marketing men still don't know real needs of rural consumers. They design wrong products, services and poor strategy without knowing rural India where their own consumers in the villages live. It is also difficult to get skilled sales persons conversant with rural culture. Though, marketing heads are educated from abroad and top institutions of the country but they are poor in knowing their rural consumer. There is always gap in their knowledge about what they have and what they should know about rural consumers.

Though the purchasing power of villagers have been slightly increased, yet the price sensitivity of a consumer in a village is an important factor that rural marketers should be aware of. Further, the rural customers are generally seasonal or daily wage earners not having monthly incomes, so packaging in smaller units and lesser-priced packs makes sense to increase their affordability. Convenience is also an important factor, so packing in sachets or carry bag makes the product

easy to carry, easy to handle, easy to use. Since many of the households don't have proper sanitation facilities, the pack must have proper caps so that the remaining material can be kept for further use.

Inadequate infrastructure, power cut, accommodation problems, different life style and their routine must be considered while selecting the products for marketing in rural areas. For marketing of durable items credit facilities and after sales services must be improved. The marketers should try to create more awareness in rural consumers. Moreover, the growth of rural India is largely attributed by increasing awareness and education. Rural consumers visit high congregation areas like haats/ fairs etc., where product awareness can be created. Therefore, the right product needs to reach the right person at the right time and on the right place. Effort should be to bridge the supposed digital divide between rural and urban areas in one great leap.

According to the ASER (2012) report, private school enrolment in rural India has enhanced by 5.5 per cent points over past six years. The literacy rate has also gone up by 68.91 per cent in rural India, which can certainly help the marketers. Language and regional behaviour variation should be given more consideration in developing rural communication and strategies. Further, rural marketing should be treated as separate area of work, as the export marketing is treated. The more researches are required to be conducted to understand rural consumers in better way and generate more reliable data on the rural sector.

In earlier days rural marketing was used to designate marketing of agricultural product and village artisan products. But now globalization, privatization, liberalization, IT revolution, improved infrastructure, electronic media, increased rural income and Indian Diaspora have entirely changed the rural marketing. Rural consumers are getting more and more importance today. It is just a high time for rural marketing. Not only indigenous companies but the MNCs are also reaching the remote rural areas for marketing of their products. But it is necessary to develop the fascinating 'village value', comprising of originality, purity and quality of product, to conquer untapped robust consumption potentiality of 120 million household of the 'Rural India'.

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## Analysis of Present Issues of Retailing Industry in India and South Africa

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### Abstract

Today retail trade has been divided into three categories Modern trade, General Trade and HORECA. FMCG industry recruiting sales force in the same pattern right from National level to bottom line or front line. Retail industry has been categorized as FMCG, FMCD etc. Till 2000 most of the companies were entrusting these sales activities to their general trade executives/supervisors to look after purchase orders from retail or wholesale shops and supermarkets as well. Due to liberalization policies or economic reforms more multinational retail and wholesale companies like Care-4, Metro Cash and Carry etc., many more companies entered Indian retail market through joint venture. By entry of these companies the retail trend has been changed and some of the big Indian business tycoons like TATA, RELIANCE, BIRLA and many more entered into retail trade. Along with tier 1 business tycoons so many tier 2 and 3 business houses also have entered into the race. This trend has not stopped here, there are so many regional players also enter into foray also this trend extended up to semi-urban towns and rural as well.

**Keywords:-**Modern Retail Trade, General Retail Trade and HORECA

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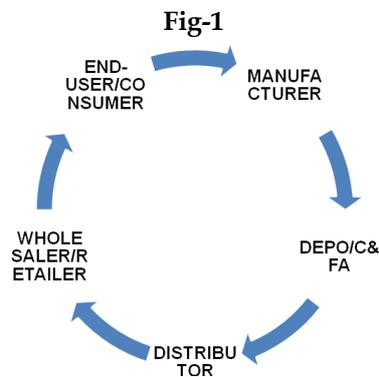
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## 1. INTRODUCTION

There have been three stages in the industry growth. From “1940-1965 is manufacturing era, from 1965-1985 sellers era and from 1985 onwards buyers era”. This is not only applicable for one or two industries or sectors; it applies to almost all the segments. During 1965-1975, there were no substantial products or brands in all the segments of industry, for instance if we consider two wheeler segment only very few manufactures with less options like “Vespa and Lambretta in scooter category, Jawa and Royal Enfield in motor bike category and Suvega” in moped category in Indian market. From 1974-75 onwards substantial brands introduced to market with more options and variants in all segments. These options with substantial product category convert sellers Era into buyers Era by 1985, in 1950’s and 60’s we can see only very few brands of bicycles like “Rally and Atlas” but in 70’s “Hero” and many more brands introduced, today we can see plenty of brands are categorized with lot of variants as per age group, like kids, junior, Adults and many more. Even in consumer goods industry too. The most interesting scenario here is all the brands are selling. How this selling is happening! “Is it because of growing population, economic reforms and disposable income of a family has increased”. In 1960’s and 70’s only one person was earning in a family, but today husband and wife both are earning, this was happened due to outsourcing business activities especially in software industries and call centers. This is happening not only in India even developing countries in African continent like Tanzania, Kenya, Durban, Nigeria and many other countries especially Shoprite and Uchumi hypermarkets. These hyper markets hiring staff those who passed 10<sup>th</sup> standard and train them as per their requirement, this strategy support young generation gain handsome money to meet their expenses as well as financial support to their families on one side and on the other side their life style is also changing because they are working and selling superior quality products in this super markets. As population is growing, the demand for each category has increased and life style also changing. These changes created new trend across the industries. Due to these changes industry experts start segmenting products depends on potential consumption or utilization. Indian retail industry is lucrative and huge growth potential sector. “According to the **Investment Commission of India**, the growth of retail sector may be \$660 billion by 2015”. It means the growth of this sector will be almost three times higher when comparing to decade back position. However, in spite of recession the recent growth and developments in retailing and its contribution to the economy is immense. The retailing continues to be the high profit making industries. And the growth of organized retail growing trend is significant in India. But when compare to rest of the world [Europe, USA, China, Africa and Japan] pace of growth is much slower. There is no doubt in this dismal situation of the retail sector due to on-going wave of liberalization, globalization and FDI encouraging policy in the Indian retail sector. In this context my present paper tries to analyze the present issues concerning to the invitation of foreign direct investment in the Indian retail industry. With the latest initiation of the government of India to allow FDI in single brand and multi brand retailing sector, these changes directly or indirectly hit on farmers especially on Agri-food or grocery sector. The buzzing of FDI in Indian retail sector should not be allowed without any restrictions, government should keep an eye on their procurement system for the sake of small agricultural product producers and then it should be significantly encouraged.

## 2. LITERATURE REVIEW

Why retail giants are targeting India as their best destination rather than African continent? As on today Africa is one of the best emerging markets for all industry sectors. Because, India is also one of the best retail market in the world with the fixed returns on their investments. However, all most 90% of the shops are with small investment [Rs.15000.00-Rs.150000.00]. These small shops and traditional Mom and Pop shops contribution is 450+ billion and whereas the so called large retail formats like big bazaar, super markets, hypermarkets, Metro and departmental stores etc, their contribution somewhere stands at 4%-4.5% of the total size of the market These formats are located in mainly in tier 1 and 2 cities. I am writing this article as a part of guide for the students who intend to do research in future on this subject as well as to the management graduates who deserve to be an entrepreneur and do business in Africa or Asia. Just because of this reason I am highlighting local industries position, nature of business and history of companies. I am not giving priority to MNC companies because my intention is to highlight how local companies are giving stiff competition to MNC'S during the recession period by making profits. As far as employment growth is concerned I have mentioned in the end of my article, how hard working or a devoted person can reach to highest position in an organization. If it influences on those who aspire to be member in this field then my efforts will be sacrificed. Through this article I would like to highlight the exploration of latest trends of retail business in Asia and African continents, how this retail business is playing vital role in countries economy and eradicating employment problems in urban/semi urban and rural areas as well as villages. In urban areas the traditional distribution format of retail business was as follows.



Now this traditional format has been changed to modern format "From manufacturer-shopping malls/hyper/super market-end user/consumer". The traditional format means Manufacturer-depot/C&FA-distributor-Wholesaler/retailer-end user/consumer. In today's globalization trend the retailing is playing vital role in all products [consumer electronics, telecommunication, education, banking, service marketing, foods and groceries, beverages, apparels, books, etc]. As an integrated element, this article is a continuation of research in retailing. The integrated research still further developed with a depth case study of Asia's and African industries strategy as well as growth of entrepreneurial organization involved in establishing its market through

rural channel partners. While reading the above article definitely the following questions will strike our mind very curiously.

- What is retailing?
- Who is retailers and what they are doing?
- What is the role of retailing in society and contribution to countries economy?
- Is there any chance to create employment opportunities in this sector?

Retailing means selling of goods in small quantities directly to end users, whether these products are manufactured by domestic or multinational companies. The person sells this product on marked price, he will purchase from distributor/manufacturer/wholesaler is known as retailer.

Most of the people in society not knowing much about retailing, they all know about shop and the place where they are getting their essentials/daily needs. "The place where they are getting all their essentials is retail shop and the activity between them and the shopkeeper is known as retailing". The most astonishing secret is well known multinational company products are selling here. The shop is location in connecting point between big multinational company products and consumer as mediator, without shop neither multinational company nor consumer will not be survived, but nobody is thinking this retailing is high tech industry. Everybody is thinking it is a place of their needs. Because there are reasons to conclude in this manner, no need of any graduation or any professional qualifications to run shop or do retailing business, just if we know how to do add, subtract and multiplication exercise is fair enough. Most of the retailers also not highly qualified persons, but they are very accurate in retail business, they are the real brand ambassadors for manufacturers and the end users. These retailers are very sharper than company brand manager/product manager. Because they know the pulse of their every consumer or customer, because they are regularly listening and interacting with their consumers or customers every day about the products advantages, disadvantages and the same feedback will conveyed to company sales persons with in few hours time. Here I would like to exhibit one instance of consumer feedback comparison.

If we buy a TV or mobile instrument, unless we use the product at least for a month, we cannot give any feedback about the efficiency of the product. If it is a two wheeler vehicle we should drive at least one thousand kilometer then only we can give feedback about the performance of vehicle. Even though authorized dealer will not accept the customer feedback and he will revert with technical reason means as it is new it will be liked that once it running complete 5000km then he will look into customer complaint. By this time either customer will desperate about the product or authorised sales and service dealer maybe withdraw his dealership of the company due to inefficiency of the product. Same situation with TV also, but this will not be the situation in consumer goods [FMCG]. As soon as the buyers buy the goods from shop within 30-40 minutes they open and use the product to cook food. If the product is not up to their expectations, it will return to shop or the consumer will report to shop keeper about the quality of the goods. If the product is good repeat purchase will be taking place or some customers will buy the product due to his neighbors influence. This will happen within one or two days time and the same will communicate to authorized distributor as well as to manufacturer within 4-5 days. The response and feedback is so quick in consumer products and such quick feedback we won't see in any of the industries in the world.

This type of quick responses and feedbacks are caution to manufacturers. They should keep their eyes and ears open round the clock. Also this is an advantage and an opportunity for competitors, this is the one industrial sector provides ample opportunities to an average qualified businessman to earn name, fame, millionaire or billionaire. If anyone deserves to be a professor he must be post graduate with doctorate. To become doctor or engineer or top management position in industry or government organizations, he/she must have adequate professional qualifications with experience. In India most of the retailers are average qualified and they are very sharp in grasping consumer tendencies when compare to African countries. Indian retail market has been categorized as “**formal and informal markets or organized and unorganized**” sectors. The organized retail format contribution is only 4% of \$490+ billion market size and the rest turnover from unorganized sector. This unorganized sector mainly of rural areas inclusive of street smart vendors to small convenience stores and their investments starts from Rs.1500.00 to Rs.200000.00 depends on their trade. A small vegetable vendor cannot keep more than 3 days inventory like grocery or food products due to life the product. The motive behind the FDI is to boost the soaring inflation.

### **3. ANALYSIS AND DISCUSSION**

Wal-Mart is a well known retail chain the world. This store selling the goods to consumers on retail basis meaning thereby consumers will buy two to three packs on each category. These stores are not wholesalers, but their purchases will be much higher than wholesalers. The difference between the wholesaler and the big malls/supermarket can be understood as wholesaler sell to retailers, whereas big retailers sell directly to consumers or end user. Indian retail industry is tenth largest market in the world. The 1991 economic reforms pulled major big retailer giants towards Indian retail market. Because in India unorganized retail sector is occupied more than 75% of market share, this information creates aesthetic impression about Indian retail market with multinational companies. India is big in geographically after china with lucrative retail market as far as growth and potential is concerned. These multinational industries arrival with the hope of change the face of unorganized retail sector and increase the product category as well consumer life style. But the contribution towards converting unorganized to organize was not more than 4-5% of \$490+ billion is not a great change in the current trend. I would like exhibit one instance of Indian retail market comparison, how it was in 1980's and today.

In 1980's city like Mumbai, Delhi, Bangalore all products markets are categorized and selling in fixed locations only, in Bangalore if any retailer wants to buy groceries in bulk they should go to Yashavanthpur APMC market. “Metro Cash and Carry is located here now to squeeze wholesale dealers and customers”. If we want buy clothes for any occasions like wedding, festival, birthday we should visit Chickpet and jewelers located in Avenue road. FMCG wholesalers were located in O.T.Pet as well as in Yashavanthpur, for vegetables and flowers K.R.Market. Till 2001-02 this trend was continuing. In mid of 2002 Germany's Metro cash and carry entered into wholesale market in Bangalore India. The whole structure has divided and wholesale shops start their operations in all most all the locations of Bangalore to protect their business as well as giving stiff competition to Metro. Metro cash and carry may be a big joint in global retail index ranking, but they were failed in attract maximum numbers retailers as their members. Some picture theaters demolished and shopping malls and complex was constructed [Alankar shopping

complex]. But today if we go to any corner or major locations in metro cities we can see supermarkets and shopping complexes or malls.

The market size of Indian retail industry is approximately 490+ billion and this accounts for 14-15% GDP also one of the best retail market in the world [fifth best in the world]. The real retail industry is hiding in rural areas only. As long this trend is existed in India neither multinational retail companies nor multinational manufacturers cannot change the unorganized retail system/sector. Even in such a situation retail business is growing in Asia. Since last decade retail industry is growing, how this growth is occurring, what was the reason for this growth, many market research companies did survey to find the truth behind this growth. In 1991 government industrial and EXIM policies were liberalized, due to this liberalization policy more multinational retail, software, and many more industries entered the Indian market, especially software industries and call centers [BPO]. These BPO's recruited software course certificate qualification candidates as programmers and 12<sup>th</sup> standard with fluency in English as customer care representatives. The salary and perks were on par, means above the expectations and spending capacity was increased. Both husband and wife start working, the disposable income of the family has increased and lifestyle also changed. This is one of the reason for retail sector growth, when disposable income is increased the perceptions of sophistications and commutation system will also be changed. Earlier most of them depend on public transport to reach their work spot, even for short distance also, but as soon as their income has increased, most of them preferred to have their own vehicles and even for small purchase they preferred to visit shopping malls. Because in these shopping malls more options provided in all sector. For example in life style products trail rooms facility made customers choice easy. All this has reflected in terms of growth and year on year sales in retail sector has increased. This trend was pulling more and more job aspirant candidates move from rural to urban for better life as well. "China is well advanced in modern retail formats compare to India. Due to this advanceness china achieved enormous growth in retail sector and their GDP is growing". In Asia, India and china are compititeters. As on today still in rural sector traditional distribution system very in active, it will not be change within few years. It will take a decade's time. Till such time unorganized sector will play vital role in distribution of consumer goods also show growth. In Indian retail industry these big retail companies as well as multinational retail companies concentrated more in urban areas rather than rural areas/semi urban areas. This phase of growing trend of retail industry attract big retail giants invest in Asia and Africa also. In another five to eight years time \$100-\$150 billion FDI in Asia and \$10-\$15 billions in Africa is expected on modern retail formats. These modern retail formats are made their foray especially in urban and metro cities. Depends on the growth rate and based on the profit, the retail industry has been divided into three segments.

### **3.1 Higher growth rate and more profit Segments**

- Consumer goods like foods and grocery is 89+%
- Apparels likely to be 52+%
- Durables like furniture's and house hold articles is 25+%
- Pharmaceutical products 26+%
- Life style products like Leather goods, wrist watches and ornaments[gold, silver, platinum is 17+%

### 3.2 Fastest growing potential

- Super market chains is likely to be 40-42%
- Specialty stores/hypermarkets will be 34-36%
- Semi urban/small super market chains is 22-25%
- Departmental stores is 15-17%

### 4. INVESTMENT POLICY IN RETAIL [FDI]

- MNC's like Metro Cash and carry stores allowed in wholesale sector, also franchisees
- 51% of Foreign direct investment allowed on specific terms and condition.
- Single brand and internationally same brand should be available in other countries

By the end of 1996 onwards tremendous changes was taking place in retail sector, until 1990 the total retail sector was under the clutches of unorganized sector. Increased awareness creating activities through TV and print media, consumer perception has changed and at the same time working members in the families also increased. This has give boost to spending power and personal consumption has increased. Major growth occurred in food and grocery sector, due to increase in urbanization and qualified manpower also increased this growth reflected in organized retail sector. Along with food, packaged foods and beverages parlor's also shown remarkable growth. After this sector mainly the lifestyle sector shown good growth in different formats created their own outlets, hypermarkets, convenience stores, mini supermarkets, discount stores, large and mini supermarket chains showing consistent growth of 6%. In African continent some of the countries adopted modern retailing formats like South Africa and some under developing countries like Tanzania, Kenya, Uganda Zimbabwe, Nigeria Ethiopia, Ghana in their capital cities and rest is still under the clutches of unorganized sector. The realization of the customer's growing awareness and the need to meet changing requirements, preferences on verge of changing lifestyles also contributed to the formulation of customer centric strategies. Due to change of life style in consumer leads retailers to think and change their attitude from traditional to modern retail formats in way of supermarkets, hypermarkets and specialty stores chains. Some of the big business houses and big retail houses renovated their stores and their past and present status is as follows.

**Table-1**

Past Status	Present Status
SPENCERS-HYPERMARKET	FOODWORLD, HEALTH & GLOW
PIRAMID MEGASTORE	TRUE MART
SHOPPE-FOOD BAZAAR	PANTALOON-BIGBAZAAR-MALL-CENTRAL
CROSS WORD	SHOPPER STOP
STAR INDIA BAZAAR	TRENT-WESTSIDE
LANDMARK	LIFESTYLE-HYPERMARKET

#### Some of the big houses retail investment in India

Company	Investment
Reliance industries	\$6.67billion
Pantaloan Retail	\$ 2.billion
Lifestyle	\$.90 million
Raheja's	\$ 100 million

The global consumer electronics revenue was projected up to \$.1 trillion in 2011, results yet to be declared. The various continents sales projection was 8% from Japan, 7% from African continent, 5% from East Europe and 4% from Middle-East. The biggest loser was Unilever in USA and European markets. Asia, Latin America, Brazil, India, China and turkey are the fastest growing markets in the world. Because of 11% GDP Turkey earned good recognition and place for investment, from investment point of view. Now most of the consumer product industries are keen to invest in Turkey. Also it is a feeder market to Europe, Middle East, North Africa and many other regions. In Africa very few countries are more favorable to consumer products industries as well as emerging markets. Nigeria, Ghana, Morocco, Tanzania, Kenya, Uganda, Mozambique, South Africa but Egypt, Libya and some more countries are comes under African continent they are suffering with political instability. Investors always thinking about political stability before make investments. There are some barriers from the government side also in African countries. This will hinder expansion of business in this region. For example, Uganda and Senegal government authorities will not allow any pharmacist to keep or operate more than one medical store or distribution houses; this leads pharmacists to sell only costly medicines rather than normal medicines. Mediplus and francophone are having larger medical distribution chains in West African countries and their corporate office will be located in France. In eastern parts of Africa semi-governmental communities like NGOs's will take care of medicine distribution to remote areas. But from distributors end goods will send through informal ways like bus, trucks or mini bus. Also distributors will take the advantage of this system and they make profit from 20-35% depends on the drug and retailers will earn 75-90%. In spite of all the odds distributors are trying their best to supply good quality goods to remote areas. Government is also trying to create awareness programs to consumers about sub-standard medicines as well as consumer goods. At the same time investors also start investing in distribution business. Due to this initiative of investor of well known multinational companies quality products are introduced in market. This move has made significant changes in consumer attitude. In this change, high quality distributors role can't not be denied, because these distribution houses procure from high quality product manufacturers and through private distribution alliance cover the whole country and regions. The below table is an example of investment themes in retail distribution.

Here I would like to share my Tanzania experience.

As I am having diabetes, I am regularly consuming "**Gemer-1**" tablet to keep my sugar level in normal condition. This tablet is costing in India is Rs.235 for fifty tablets box, this rate is equal to 8000Tzs. Whereas the same tablets in Tanzania capital city Dar-Es Salaam the price is 16000.tzs, in Morogoro it is 18000.Tzs and beyond this town we have to place the order with 22000.Tzs as advance and wait for one week get the medicine, mean to say that retailers keep their profit beyond 100% margin in east Africa countries.

The following table shows the distribution and investment information of selected Companies in African countries.

**Table-2: Promising Investment: Themes in Retail and Distribution**

Retail	Nigeria	Senegal	Uganda
Industry Structure	<ul style="list-style-type: none"> <li>15-25 percent price mark-ups. Highly fragmented (1,500 registered retailers and estimated 6,000-10,000 hawkers) with a few nascent chains (ten outlets generally).</li> </ul>	Retail gross margins capped at 23 percent by law. Highly fragmented law prohibits chains of more than one pharmacy and proscribes a maximum permitted number of pharmacies in a given area.	Fragmented market with 35% margins make retail lucrative and allow room for competitors to harvest volume at lower prices. Shortage of pharmacies despite high margins due to limited number of qualified pharmacists and law prohibiting pharmacists from operating more than two pharmacies.
Opportunities	Consolidation of outlets into pharmacy chains is a significant opportunity, further improved by the high geographic concentration of existing outlets in urban centers, (Lagos state has 30 percent of total national outlets, Abuja has 11 percent).	<ul style="list-style-type: none"> <li>Limited opportunity given the regulatory limitations on scale.</li> </ul>	Consolidation of pharmacies, employing at least one pharmacist for every two pharmacies; demand exists for additional outlets but growth is limited by shortage of qualified pharmacists.
Distribution			
Industry Structure	Reported margins low at 2-10 percent, depending on volume and region. Largely private and highly fragmented (290 registered importers and 720 registered distributors); fragmentation stimulates competition but introduces supply chain weaknesses resulting in obsolescence and counterfeit leakage.	Distribution gross margins capped at 18 percent by law, often 15 percent after discounts. Consolidated among three major distributors with a fourth smaller one. Regulatory requirements for distributors to serve all retail outlets raises costs of entry.	10-20 percent estimated net margins. Distribution largely controlled by 8-12 companies; landlocked country means imported products often come through neighboring countries first
Opportunities	Vertical integration between manufacturing and distribution, or between retail and distribution for high population density areas. Rural distribution opportunities by combining medical product distribution with other goods or with transport services.	Significant investment required to enter market as a distributor. Possibility of network of separately owned pharmacies to jointly invest in distribution company given high degree of industry organization among pharmacies.	Potential for regional integration of distributors due to moderate domestic consolidation, the requirement to import through other countries from being landlocked, presence of large export oriented manufacturers in neighboring countries, and regional trade policies of COMESA and EAC.

**Table-3: Distribution and retail in selected countries & investment themes**

Operation	Examples	Annual revenues \$ million	Setup cost \$ million	Development impact
Pharmacy chains	Mediplus (Nigeria), Vine Pharmacy (Uganda).	0.5-3.0	0.3-1.0	Serves as a platform for expanding reach of drug outlets to rural regions. Efficiency gains allow for lower prices and increased affordability.
Multi-sector	Nufaika	1.0-15.0	1.5-7.0	Broadens access within rural regions. Profit

distribution platforms	(Tanzania), Great Brands (Nigeria).			maximization strategies also expand portfolio of drugs being made available. Increases overall capacity of distribution system.
Multi-brand vertically integrated platforms	PHD (South Africa), MDS Logistics (Nigeria).	3.0-10.0	1.0-3.0	Expands overall capacity of distribution system. Increases access to drugs in rural areas.
Pharmacy accreditation programs for informal retail operators	ADDO (Tanzania).	0.3-2.0	0.3-1.0	Significantly increases access to essential drugs in remote regions.
Supply chain management programs for donors or governments	MEDA voucher program (Tanzania), Village Reach (Mozambique).	0.3-1.0	0.3-1.0	Relieves burden on public sector and helps improve efficiencies across system.
		4.9-31.0	3.4-13.0	

The above system [Table-3 & 4] is contributing profit to a country by distribution development as well as foreign exchange. But certain countries like Senegal and Uganda have to change their strategies in allocating pharmacies. Because they are restricting the numbers, owning pharmacies, this will leads to sell cheaper and sub-standard medicines. In 2005 I have seen in Guinea [West Africa] so many vendors were carrying medicines in basket like vegetables on their heads and selling in street. The person who is selling these medicines they don't know whether is it expired or not. Near the sea ports and market streets so many chinies selling herbal medicines.

#### **5. THE IMPACT OF MODERN RETAIL FORMAT IS NOT ONLY IN ASIA, ALSO IN AFRICA**

But before entering into African markets MNC'S were keenly observed the market research reports and existing well known companies assumptions on African markets, especially South and East African markets. According Unilever's Market Report 65% of SA consumers are now compare prices more often and 60% shop around cost awareness and this is permanent feature of the FMCG market. This has influence the big retail giants to enter African markets. Wall Mart enters into SA's fast-moving consumer goods (FMCG) market. At the product-supply level two new foreign entrants Iffco Worldwide and Diplomat also has entered in the retailing market in S.A. Both of them aim to do the same. The FMCG market is ready for change and Local food manufacturing giants have their own way for too long. Their position has been largely unchallenged by foreign players and enabled them to build huge brands that sell at premium prices. Iffco (SA) comes with the backing of Iffco Worldwide, a Dubai-based food manufacturer and distributor with a presence in over 85 countries. Iffco is determined to build a major, sustainable business [in SA] and has the financial muscle to do it, Israel's largest FMCG distributor and Diplomat has entered SA under an agreement with Procter & Gamble (P&G), the world's largest FMCG manufacturer. Diplomat has been associated with P&G last 20 years and is one of its top 10 distributors of P&G and it focuses on the personal care, household products and baby care sectors. Diplomat's initial focus is on tier-two retailers, which include pharmacies, speciality chain stores and independent wholesalers and tier-three retailers, which covers small

formal and informal retailers. Also Diplomat offers full distribution service covering all aspects including logistics and even debtor admin. This enables retailers to focus more on their business. Diplomat has built distribution centre in Gauteng, Cape Town, Durban and Port Elizabeth to speed up distribution. Apart from these top retail giants convenience stores are showing consistent growth in this region, also this convenience stores always changing their formats according to consumers taste and recruiting franchisee's to tap unorganized sectors to convert towards organized sector with cost effective manner. This will attract more middle class families benefitted in the past, present and future also. For both Iffco and Diplomat, Wal-mart's arrival could not have been better timed, referring to the brand Massmart is using to drive its entry into the lower-income FMCG market. The Wal-Mart spirit has already arrived. The [FMCG] market is ready for interesting fight. If we just see at a glance on South African retail sales trend since 2007-11 we can see consistent growth, especially in food and grocery category. Next to this category is organic food, like baby food and nutritional food, this sector projected sales for next four years CAGR is 30%. "The main reason behind this growth is South African government is restricted profit margin on branded item is 10%, because of this reason all the big retailers are giving more importance to food and grocery". The market main players are: Pick n Pay Holding Ltd., Shoprite Holdings Ltd., Spar Group Ltd., Massmart Holdings Ltd., Woolworths Holdings Ltd., Metcash Ltd. and Edgars Stores. The South Africa retail industry is one of the largest retail industries in the Sub Sahara African region that presents profitable investment opportunities for new players. With surging middle class, rising income levels, low-interest rates, changing lifestyle, introduction of new models led to the rolling demand of retail products in the country. Besides, increasing consumer appetite for convenient shopping and soaring sales of low priced non-traditional products had a positive impact on the South Africa retail industry.

The retail market has benefitted from a strong consumer confidence and high public spending on both food and non-food items. We can notice that the non-food retailing will grow at a faster pace than food retailing, with high spending on technical consumer goods. With the rising employment opportunities and low interest rates, the market is set for growth in the coming years. Growth can be anticipated that the South African retail market [branded] will grow at a CAGR of around 7% during 2011-2014. With this growing confidence South African retail business may \$118 Billion by 2014 at the rate of 5% CAGR. Some of the different retailing segments namely the food retail and the non-food retail and further segmented the non-food retail into clothing & footwear, cosmetics & toiletries, furniture, household cleaning products and consumer electronics are growing consistently. Convenience is a relatively new trend in South Africa's Fast Moving Consumer Goods (FMCG) market. Major retailers and wholesalers own most of the convenience stores in South Africa. Supermarkets have been present in the country for more than 60 years and quite popular for providing fresh products. Now we look into matter of employment opportunities in retail sector. "After agricultural sector retail sector is the second largest sector providing maximum job opportunities".

**Global Retail Development Index (GRDI)** ranks 30 international destinations for retail expansion and development potential, opportunities, for the year 2011 and also they find out which international retail markets offer the most to "US RETAIL" chains are interested in expanding beyond North American borders and into foreign markets. Because of 11% GDP

Turkey earned good recognition and place for investment. From investment point of view now most of the consumer product industries are keen to invest in Turkey. Also it is a feeder market to Europe, Middle East, North Africa and many other regions. The following countries deemed to be the best retail markets for international expansion. There are 30 countries those were evaluated for the year-2011-12 those are as follows.

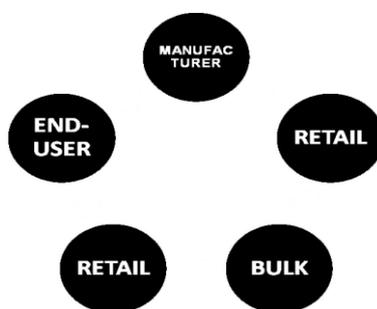
1 Brazil -2 Uruguay -3 Chile -4 India -5 Kuwait -6 China- 7 Saudi Arabia -8 Peru  
9 United Arab Emirates -10 Turkey -11 Lebanon- 12 Egypt-13 Albania- 14 Russia  
15 Kazakhstan -16 Indonesia -17 Morocco -18 Philippines -19 Tunisia -20 Sri Lanka  
21 Malaysia -22 Mexico -23 Vietnam -24 Colombia -25 Argentina -26 South Africa  
27 Panama -28 Dominican Republic -29 Iran -30 Bulgaria

## **6. CONCLUSION**

Retailing matter after limitation employment to illiterates to literates and this is a safer place to survive. Yes this is a place to earn name and fame. If we look at any industries growth or recognition, retailing comes at forefront growth. Its transaction may be in bulk. Without retail there is no bulk, if any product is selling in bulk market that is because of retailing effort, "retail and bulk are like both sides of a coin". This is the one reason applicable to all the industries or products, whether it is software, hardware, industrial or durables etc, there are plenty of examples which are lying in front of us. "Dell" computers are selling in 1984 directly to consumers means end users, those days computer were new baby's in the consumer electronics market. Also nobody was aware of Dell brand computers selling in single digits, from there they were grown, this is what we known as retailing. If any organization comes to market without retailing means, it will be a flop show, because if you sell your products in retailing you will get immediate response or feedback from consumers or end users and you will correct the mistake before reaching/selling to second customer. The below picture [Fig-2] is highlighting the same. Not only Dell any product comes to market the same strategy will applies, once they grown they will not bother much about retailing because of bulk buyers enthusiasm to invest more on the brand. Once they buying in bulk, again it will come back to retail shops to liquidate the stocks to get back their investment with theirs profit. This is cyclical rotation in business. The growth of an industry will happen through retail sector only. In any corner of the country or world when new retail formats introduce all the people/consumers/customers will not visit at a time. Firstly, some groups visiting newly opened retail shop/supermarket/shopping mall and their experience will spread during their chatting time. Like this, new formats will earn name. Moreover, in the new format products are selling in single digits or consumers are buying the products in small quantity means absolutely retail basis. This modern retail format is influencing on the society to change their lifestyle from traditional to modern means unorganized to organized style. Spending in organized retail formats stores, consumers feel they are spending in right place and their spending is justified. These multinational joint ventures introducing imported goods in retail generate more foreign exchange and boost national income also countries economy. In this phase, Amway one such big organization is doing million \$ transaction in India and their contribution to economy is immense. This was the one reason all the multinational retail Giants eager to entering into Indian retail market. Till 2011the Indian government was not allowing FDI in retail sector and it was restricted the foreign group ownership in supermarket, convenience stores. Foreign

retail giants can do business with 51% stake and these stakes can be invested on single brand not on multi brand. But in November 2011 finally government of India confirmed its stand on FDI in retail sector on single brand as well as multi brand retail, this retail reforms constructed sophisticated road to worlds big retail giants like Carrefour, Wall Mart, Tesco and many more organizations. There is no doubt that Africa offers the highest rate of return on investment than anywhere in the world at the present moment and in years to come, but if this growth is not translated into employment, basic amenities and infrastructure for the common man, then it wouldn't be sustained. The people have to feel part of the growth, also with the current crop of leaders, a lot of need to change for African growth and to be sustained and attract more foreign investment.

**Fig-2**



## **7. LIMITATIONS OF THE STUDY**

Whatever instances, exhibits, figures etc all information's focused more on international, national, regional brands. Beyond to this there are so many brands or products which were not considered due to lack of awareness. These manufacturers are not ready to create awareness about their brands, if their brands popular then come under taxable structure. On the other side some manufacturers were interested in exports rather than domestic market. Here I would like to exhibit two products which was not considered in retail revenue.

1. India is mainly Hindu traditional and custom [religious] bounded country due to this religious tradition people are worshipping god on season wise. On these days there so many Pooja articles [auspicious] are selling in crores of rupees, but no one considers this as retail revenue. On such occasions people are using "cotton threads" to light lamps in front of god's photo or idol, this type of occasions comes 9 times in a year as per Indian tradition. Apart from this there so many regional and weekly celebrations like Monday-God Shiva, Tuesday-God vigneshwara, Thursday-God-Shirdi Baba, many more like this. Moreover, this cotton thread are made in home itself till 2000, but this is also selling in retail shops as well as in super markets now, these manufacturers were located in each and every street in India especially urban and semi-urban. The most interesting character in this category is no brand name for this product. This category has not been considered in retail trade and no market research company tries find out the value or volume of this category.
2. Here I would like to exhibit seasonal food product. "Haleem" this product is selling only in "Ramzan" festival season in Hyderabad India. In this one month season we see in front

restaurants a big flex board about this product. This product is having huge demand from all corners of India and gulf countries as well. Only very few restaurants will provide Taxed receipts [about 15-20%] for sale and rest will not give any receipts. Here also same as above neither the market research companies nor manufacturers will not ready to disclose the exact transacted value. Hence, I have not considered the same product retailing.

## **8. SCOPE FOR FURTHER RESEARCH**

There is no end for research as much as we go deep into the subject we will understand that there is huge scope for further research in retail trade, this applicable not only for retail trade, it applicable to all sector. Six decade back nobody was thought that “**man can land on moon**”, but today we have reached the dreamed destination and doing research. We are aware of many instances like “**Dell, Apple computers and iPods**” and many more in front of us, a decade back nobody was thought hair style products were one of the fastest growing products in African continent, after so many market research information’s Godrej Consumer Care Ltd was acquired “**Darling**” and “**Amigo**” brands as part of their global expansion. Like hair style products there so many products were not lime lighted and recognized, only proper researches will boost the demand. This is high time for management students, management faculties and manufacturers to concentrate more on neglected categories.

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## Study of Energy Sector with Special Reference to India's Perspective

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### Abstract

India's energy and economic development has a cause and effect relationship. With India being a growing economy, there is external resistance for sacrificing economic growth for the sake of protecting environment in the future. A study covers concept of energy and sustainable development, India's energy demand in high growth scenario, production and consumption of energy, energy and its impact on environment of India, recommendations of energy saving and also shown that T&D losses, covering the usual technical losses and the unusual thefts, were higher in the states where law and order were inferior. Whatever political party comes in power becomes corrupt and runs the Board administration accordingly. The systemic problems with the SEBs has stemmed from the corrupt political system. Under such a situation no amount of legislation can help – Electricity Act, 2003 is no exception. A strong political will and the proper enforcement of the existing electricity rules can improve the situation properly.

**Keywords:** Energy, sustainable development, environment, infrastructure

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## **1. INTRODUCTION**

A nation's infrastructure development plays a significant role in its economic growth. A fast growing economy warrants an even faster development of infrastructure. Any discussion about India's infrastructure has to briefly cover the planning carried out for the country's economic growth, since Independence. The concept of 'sustainable development's is not new to India. Through the preaching of great saints like Mahavir, Buddha, Ashoka and Gandhi, the concept of sacrifice for others became the integral part of the oriental philosophy. Energy is the prime mover for the growth of Indian economy and in order to ensure adequate energy generation to meet the demand India has to depend on the natural resources indigenously or through imports. In order to meet its energy needs the country has tried to obtain energy from various natural resources including wood, coal, natural gas, hydro, wind, solar etc. Technological innovation and industrialization has led to the over exploitation of natural resources beyond limits to satisfy the insatiable lust of greed by humans worldwide.

## **2. ENERGY**

Energy is a critical factor in infrastructure for sustained economic development. In addition to its widely recognized role in development of different sectors of the economy, it makes a direct and significant contribution to economy in terms of revenue generation, increasing employment opportunities and enhancing the quality of life.

## **3. OBJECTIVES OF THE STUDY**

The present paper is carried out with the following objectives.

1. To review of India's energy demand in present and future
2. Overview of the National Energy Development Strategy
3. To study the production and supply position of Energy in India.
4. To suggest suitable measure to overcoming short falls in energy.

## **4. METHODOLOGY OF THE STUDY**

This paper is prepared on the basis of secondary sources of data, such as books, study material of professional courses, government department reports as well as websites and some extent primary observations of the researchers.

## **5. ENERGY AND SUSTAINABLE DEVELOPMENT**

Near about 78% of the rural people and 30% of the urban population of India are still dependent on fuel wood and chips as their main fuel source. The dependence on fuel wood in rural areas implies that carbon sequestration or conservation cannot be achieved in isolation without fuel wood or integrated land use management or energy substitution policies. Analyzing two CDM projects undertaken in India, Down to Earth (2005) commented that 'sustainable development was not an important goal' to such projects.

Per capita consumption of energy in India is one of the lowest in the world. India consumed 520 kg. of oil equivalent per person of primary energy in 2003 compared to 1090 kg in China and to the world average of 1,688 kg. The consumption in the US was 7835 kg per person. The per capita electricity consumption is also very low at 435 kwh. As the level of economic development is

positively co-related to per capita energy consumption, the energy consumption figures in India are in line with its low per capita income.

India's energy and economic development has a cause and effect relationship. With India being a growing economy, there is external resistance for sacrificing economic growth for the sake of protecting environment in the future. But India needs to keep up the pace of economic growth to ensure the good of its masses. Of late it has veered towards the inclusive growth of the neglected and marginalized sections of society. India needs economic growth and development to free itself from the evil clutches of poverty and hunger. To ensure the desired rate of growth of the economy it also needs adequate energy either indigenously or by means of import. This entails that in order to maintain the required economic growth India would have to exploit the natural resources in the form of coal, hydro, gas nuclear, and wind. But the challenge is how it can harness the energy resources so as to ensure its energy needs and at the same time make it sustainable for its future generations.

India's Integrated Energy Policy Report 2008 lays stress on the energy security aspects as well diversification of its fuel mix coupled with indigenous use of resources to meet its energy challenges and its efforts to raise its level of human development. "India faces formidable challenges in meeting its energy needs and in providing adequate energy of desired quality in various forms in a sustainable manner at competitive prices. India needs to sustain an 8% to 10% economic growth rate, over next 25 years, if it is to eradicate poverty and meet its human development goals". In order to deliver a sustained growth of 8% through 2031, India would at least need to grow its primary energy supply by 3 to 4 times whereas the electricity supply needs to grow at the rate of 5 to 7 times the present consumption. In real sense of the Indian context, the issue of sustainability is larger compared to OECD countries as we as a nation have to address the basic needs of teeming millions both today as well as tomorrow? Environmental taxes, green taxes, carbon taxes, and subsidies etc. needs to be levied so as to affect choices of end users.

## **6. INDIA'S ENERGY DEMAND IN THE HIGH GROWTH SCENARIO**

In India, there is close relation between energy and sustainable economic development and environment. Energy security and sustainable development are critical issues to ensure India's economic growth and its human development objectives. With India being a growing economy, there is external resistance for sacrificing economic growth for the sake of protecting environment in the future. But India needs to keep up the pace of economic growth to ensure the good of its masses. Its initial five year plans mostly focused on the urban development as a result of which there has been no equitable distribution of wealth across the urban and rural or across the rich and the poor. The per capita energy consumption in India is one of the lowest compared to world average but nonetheless it's highly energy intensive and ranks poorly in terms of energy efficiency.

As per table No-1.1 shows that

1. The position of the India's energy demands in increasing. Average annual demand growth is 5%, 4.8% and 4.1% in coal, oil and Hydro energy respectively it is below 5% annual demand growth.
2. On the other hand Gas, Nuclear and Other renewable energy average annual growth demand rate is more than 5%. It is observed that Nuclear energy has highest demand in India. It

shows and proves that atomic energy projects are essential for fulfilling gap in the demand and supply of energy in India.

3. The demand of energy is increasing day by day due to industrialization, urbanization and use of electric instruments in agricultural sector and domestic appliances.
4. Most of the energy generation is based on coal which is again a big contributor towards the green house gas emissions.

**Table-1: India's Energy Demand and proposed Growth.**

	2005	2015	2030	2005-2030*	Difference from the Reference Scenario in 2030	
					Mtoe	%
Coal	208	337	700	5.0%	79.9	12.9
Oil	129	204	416	4.8%	88.3	26.9
Gas	29	61	136	6.4%	43.2	46.7
Nuclear	5	17	40	9.2%	6.9	20.7
Hydro	9	14	24	4.1%	1.4	6.3
Biomass and waste	158	167	183	0.6%	-11.6	-6.0
Other renewables	1	5	10	12.3%	1.1	13.2
<b>Total</b>	<b>537</b>	<b>804</b>	<b>1 508</b>	<b>4.2%</b>	<b>209.2</b>	<b>16.1</b>

\* Average annual rate of growth.

Source: World Energy Outlook, 2010

The present scenario shows that the Consumption of coal increased from 129.5 million tons to 204. million tons. 70% of the consumed coal was used for generating electricity. The New and Renewable Energy Policy 2005, document indicates that, of the total emission of 1572 MMT in 2001-02, CO<sub>2</sub> emission from energy sector was 60%. The sector-wise contributions to the total energy related carbon-dioxide emissions in 1997-98 were as follows: Power (36.51%); industry (19.47%); transport (7.84%); residential 34.92%; agriculture (0.87%), and commercial (0.97%). GDP and manufacturing sector grew at a faster rate during this period. Electricity consumption (kwh) per capita has also increased from 173 kwh in 1980 to 569 kwh in 2002.

**Table-2: Production and Availability of Energy -2005-06 (MMTOE).**

Sector/Source	Domestic	Net Import	Total
Fuel ( commercial)			328
Coal and lignite	170.35	14.00	184.35
Oil & Products	33.38	82.62	116.00
Gas	27.65	00	27.65
Non-fuel	---	--	8.29
Hydraulic	6.67	-	-
Wind	0.29		
Nuclear	1.53		
Non- commercial			155.89
Fuel wood	115.44		
Agro wast	17.12		
Dung cake	22.62		
Bio - gas	0.71		
<b>Grand Total</b>	<b>395.56 (80.28)</b>	<b>96.62(19.72)</b>	<b>492.18(100)</b>

Source- Planning commission, 2006.

As per above table No -2 it reveals that total production and availability of energy in India was 492.18mmtoe. Out of which 395.56MMTOE (80.28%) energy avails in domestic sector. In other words it is produced in India and only 96.62MMTOE (19.72%) energy imported from other countries.

**Table-3 Consumption of Energy -2005-06 ( MMTOE)**

Sector /Source	Power Generat	Loss/ self consum.	House hold	Agri.	Transport	Industry	Services
Coal and lignite	131.61	0.00	0.55	0.00	0.00	52.19	0.00
Oil &Products	6.96	8.24	19.37	7.76	34.02	19.75	19.90
Gas	10.02	4.38	.08	0.12	0.52	12.53	0.00
Fuel wood			92.57				22.87
Agro wast			17.12				
Dung cake			22.62				
Bio - gas			0.71				
Grand Total (483.88)	148.59	12.62	153.02	7.88	34.54	84.47	42.77

**Source-** Planning commission, 2006.

The Economic Survey, 2005-06, reveals that the power shortage that occur around 12% in peak and 8% on average is equivalent to Rs 15,000 crores of fore gone generation and associated GDP loss of Rs 300000 crores.

## 7. ENERGY AND ITS IMPACT ON ENVIRONMENT IN INDIA

1. A study was carried out at J. N University, New Delhi, to compare the energy and environmental impact of the rail and road transportation. The result of the base year 2000-01 was presented as an indication of the relative impact of the two modes. The findings were: if freight movement and passenger movement via road by combination of car and bus were considered, the rail mode was always superior in terms of energy efficiency.
2. Near about 78% of the rural people and 30% of the urban population of India are still dependent on fuel wood and chips as their main fuel source. The dependence on fuel wood in rural areas implies that carbon sequestration or conservation cannot be achieved in isolation without fuel wood or integrated land use management or energy substitution policies.
3. Rail is the superior form of transport for the movement of freight. An additional exercise was carried out to look into the effects of substitution of gas for coal at thermal power plants. Emissions attributable to the consumption of electricity by the rail come down drastically and rail became environmentally less damaging vis-a-vis emissions from road travel. The policy recommendation resulting from the study promoted transportation via rail mode over road especially in the interests of sustainable intercity transport.

## 8. OVERVIEW OF THE NATIONAL ENERGY DEVELOPMENT STRATEGY

For the first time in independent India, the Draft Report of the Expert Committee on Integrated Energy Policy has tried to address the energy issues of the country from a holistic prospective and tried to evolve an Energy Policy that reflects the aspiration of an independent country. Over the past six decades India has failed miserably to formulate an energy policy that integrates all available energy options. The previous two major policy statements (the Fuel Policy Committee,

1974 and the Working Group of Energy Policy, 1979) were full of policy recommendation, most of which were not implemented. There are concerns about the latest report origins as, in the case of the previous two committees, this committee was also formed at a time when the international price of crude oil was increasing. This report, like its predecessors, is a reaction to an eminent crisis. Should the crisis be resolved quickly, it is more than likely that the recommendations on self reliance, security, technology mission etc., will remain on paper only.

A plan to pipe gas from Iran to India via Pakistan has particularly worried US policymakers. The Prime Minister M. M Singh acted to allay their concerns to some extent by removing this high profile and independent-minded petroleum minister from his position in a reshuffle in January 2006. A pro-US right wing politician has replaced him. As the trans-Asia gas pipeline was central to Mr Aiyar's energy policy his sudden removal from the Ministry of Petroleum has raised suspicions within India about Mr Singh's willingness to align his economic and foreign policy more closely with US interests. Recently India, under pressure from US, has voted against Iran- its long trusted friend and major supplier of crude. All these factors reinforce the apprehension that the strong policy recommendations on energy security will be watered down in the final report, on April 2006.

According to the proposed plan, from a purely socio-economic perspective, the 'availability' objective could be achieved by arranging supplies through three streams of generation:

1. The cheapest power generating stations meet agricultural and other socially relevant demands;
2. The demand of existing consumers (poor households and agriculture) above their entitlement would be met from the pooled power of utilities.
3. The emerging large demand would be met by new private/public/captive power stations through mutually arranged commercial contracts using the transmission/sub-transmission lines of utilities bearing pre-announced wheeling charges. In effect, such consumers would pay the marginal cost of power.

**Table 4: Scenario for Fuel Mix in Year 2031-32 (MMTOE)**

**(Assuming 8% GDP growth)**

Scenario Description	Coal Dominant Case	%	Renewable Dominant Case	%
Oil	467	28%	406	29%
Natural Gas	114	7%	163	12%
Coal	1082	65%	659	42%
Hydro	5	0%	50	4%
Nuclear	3	0%	89	6%
Wind	1	0%	12	1%
Bio-diesel	-	-	12	1%
Total	1672	100%	1383	100%

Source: Planning Commission, 2005.

It is clear that coal shall remain India's most important energy source until 2031-32 and possibly beyond. India will need to take a lead in seeking clean coal technologies and, given its growing demand, new coal extraction technologies such as in-situ gasification in order to tap its vast coal reserves that are currently difficult to extract (from an economic perspective) using conventional technologies. The committee has concluded that imported coal is far more cost-competitive than imported gas for power generation especially along the western and southern coasts of India. This preference for coal over gas is likely to continue for a while.

As per above Table No-4 By 2031-32 power generations' capacity would have to increase to 778095 MW and annual cost requirement would be 2040 MMT. Meeting this vision would require that India pursues all available fuel options and forms of energy, both conventional and non-conventional, as well as new and emerging technologies and energy sources. Assuming an 8% growth rate, the Expert Committee has made ten different projections with varied energy mix combinations for the year 2031-32. In all the projections, the share of coal ranged between 65% and 42%, share of oil varied between 34% and 28%, gas had a share ranging between 12% and 7% while nuclear share could rise up to a maximum of 6%.

#### **9. RECOMMENDATIONS FOR ENERGY SAVING**

1. Energy efficiency and conservation programs and standards should be established and enforced. The Bureau of Energy Efficiency (BEE) should develop such standards for all energy intensive industries and appliance and develop modalities for a system of incentives/penalties for compliance/noncompliance.
2. The BEE should be made autonomous and independent of the Ministry of Power. It should be funded by a contribution from all energy Ministries or from a tax on fuels and electricity and an adjusted tax on fuels for generating electricity. BEE staffing should be substantially strengthened.
3. Existing national energy efficiency organizations like the Petroleum Conservation Research Association (PCRA) should be merged with BEE. This will ensure that BEE is responsible for energy efficiency for all sectors and all end uses.
4. For the purpose of civil society's involvement in the energy sector, need to organize awareness creation campaign on the role and need for new and renewable energy systems/devices in everyday life.
5. Adequate technologies and allocation of funds for energy related R&D needs to be promoted for developing indigenous solutions which are typical to India.
9. The lack of energy transportation and distribution infrastructure needs to be addressed.
10. The government should make efforts to attract private capital into infrastructure. An important step in these initiatives would help achieve the objectives of high economic growth coupled with equity on a sustainable basis.
11. The regulator needs to be empowered so as to facilitate creation of markets and setting up of effective tariffs. The pricing mechanism in the energy sector is distorted and also there is an irrational tax structure. It makes the business unsustainable.
12. The pricing and the tax structure as such needs to be rationalized to make the energy sector financially viable and sustainable. In order to improve energy security, state needs to adopt

- energy efficiency measures, go for Demand Side Management in the entire value chain and reduce import dependence.
13. Village is the nucleus of economic development as far as India is concerned. Keeping in view the millions living in the villages and thriving on conventional fuels for cooking and lighting, the Ministry of Environment and Forests who is entrusted with the issues related to Sustainable Development needs to take up the challenge of meeting their objectives in a time bound manner.
  14. Basic education which promotes functional literacy, livelihood skills, understanding of the saving of electricity and values of responsible citizenship is a precondition for sustainable development.
  15. Four technology approaches may be adopted which are as under.
    - a. Coal technology: (i) recovering coal bed methane and mine mouth methane; (ii) in-situ coal gasification; (iii) carbon capture and sequestration; and (iv)integrated gasification combined cycle (IGCC)
    - b. Solar: A technology approach should be initiated to bring down the cost of solar photovoltaic or solar thermal by a factor of five as soon as possible.
    - c. Bio-fuels: (i) A bio-fuel mission to plant Jatropha or other appropriate oil plants on half a million hectare of wasteland within two years should be undertaken; (ii) biomass plantation and wood gasification,; and (iii) community biogas plants run on commercial basis.
    - d. In addition to this, coordinated research efforts were suggested for the development of nuclear technology including fusion power & battery and hydrogen technology
  16. A recent study revealed that transporting commodities through railways saves substantial amount of fuel. In addition to cutting transportation cost and reducing dependence on crude imports, reduced fuel consumption means reduced toxic gas emissions as well. Thus significant savings of diesel is possible if railways operations can be upgraded to win back the haulage lost to road traffic.
  17. Energy related R&D did not get the resources it needed. The Expert Committee strongly felt the need to focus on research on energy generation, distribution and conservation.
  18. Reduce energy requirements through application of better technology to improve fuel efficiency, reliance on rail transport etc.;
  19. Substitute imported energy with domestic alternatives such as the use of bio diesel etc. Coal can be converted into oil as is being done in South Africa. The technology is well developed and in use for years.
  20. Diversify supply mode such as importation of gas through pipelines, importation of hydro power through Nepal/Bhutan.

#### **10. ENVIRONMENTAL SUSTAINABILITY- INDICATOR OF CO<sub>2</sub> EMISSION KG/CAPITA**

By global standard carbon emission per capita is relatively low in India due to low energy consumption which has led to a low GDP per capita. However, CO<sub>2</sub> emissions have increased marginally 1990 to 2006 for the following reasons:

1. The number of registered vehicles has increased by over 250%between 1991 and 2001-06. The corresponding figures are 21.37 million and 58.86 millions.

2. During the same period, the consumption of coal and production of petroleum products increased steeply.
3. The refinery throughput increased from 51.8 million tons to 112.6 million tons. India today is largely self-sufficient in its petroleum product production.
4. Major imports are LPG while diesel, petrol and STF are exported. As refinery throughput has increased, the environmental pollution has increased.
5. India bore an increased pollution burden by importing and processing high levels of crude oil in its refineries.
6. The technology approach to telecommunications (C-DoT) undertaken in late 1980s that changed the entire telephony system of India within a span of ten years. It is hoped that these focused and targeted technology approaches will result in drastic changes in India's fuel mix of India and perhaps assist other countries to do the same.

## **11. CONCLUSION**

A study had shown that T&D losses, covering the usual technical losses and the unusual thefts, were higher in the states where law and order were inferior. Thus, the parties in power are corrupt and run the Board administration accordingly. The systemic problems with the SEBs has stemmed from the corrupt political system. Under such a situation no amount of legislation can help - Electricity Act, 2003 is no exception. A strong political will and the proper enforcement of the existing electricity rules can improve the situation properly.

Reforms are being introduced to bring in competition and to lower prices. Trading of power is also being introduced. But the reform experience in other countries-both in developed and developing - has established one simple fact; private operators are intent on maximizing profits and with the kind of regulatory mechanism that does not include strong public participation, consumers will have to pay higher prices.

The country through new and renewable energy sources in furtherance of the aim of Accessibility; and fuel-switching through new and renewable energy system/device development in future is the aim of conventional Energy Conservation. The New and Renewable Energy Policy, 2005 has prepared a detailed study on the indicative time frame for commercial viability of various new and renewable energy sources. As per that time frame, between 2005 and 2010 only two forms of renewable energy are expected to be commercially viable. Thus, in the long-term sustainable contribution from renewable energy sources can be expected.

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## HRM Practices in Indian Consultancy Firms

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### Abstract

Job consulting is a knowledge-intensive industry, in which human resources are considered to be the most important asset. This industry, which had been flourishing until recently, has attracted the interest of academia, private business, public authorities and even journalists. As a result, a broad range of issues related to this sector have been explored in detail. However, only a few contributions deal with personnel or Human Resource Management. There are two possible explanations for this lack. Due to its uniqueness and strategic importance, information about human resources has been treated by consulting firms with a great deal of confidentiality. This has been confirmed by our own experience. On the other hand, human resource management in consulting firms has just recently gained a more "explicit" and "formal" shape, thus, making it a subject of researchers' and consultants' interest.

Therefore, the main intention of this paper is to provide an insight into those areas as yet barely touched on by delivering a specific and fairly concrete idea about the role and different facets of human resource management in Naukri.com, Monster.com and Timesjob.com consulting firms. It is mainly aimed at the potential clients and applicants of consultancies and, of course, at scholars looking for empirical evidence with regard to the topic. Further, we can imagine that this research could be a useful source for consulting firm management in a practice-oriented manner.

**Keywords:** Job Consultancy Firm, Job Satisfaction, Performance Appraisal, Recruitment, Training, Job Seeker, Placement Agency

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## 1. INTRODUCTION

Naukri.com was founded in 1995 by Sanjeev Bikhchandani when India had only 14,000 Internet users. Today, he is churning out strategies to make Naukri.com the most dominant Internet Company in the country. The Founder and Managing Director have taken the company to new heights. As on March 2011, Info Edge had established 67 offices in 41 cities in India, as well as two offices in Dubai which primarily engage in sales, marketing and payment collection. The company also has six subsidiaries and one associate company.

Since its inception, Naukri.com has seen continued growth while outperforming its competitors in every sphere. Naukri.com is a recruitment platform that provides hiring-related services to corporate/ recruiters, placement agencies and to job seekers in India and overseas. It offers multiple products like Resume Database Access, and Response Management tools and its services include Job Postings, and recruiter branding solutions on the site. With 200000 jobs live at any point, Naukri.com serviced over 35500 corporate clients in 2009-2010.

## 2. OBJECTIVE OF STUDY

The study focuses on few Objectives and those are as follows:

- To study the various aspects of HRM Consultancy industry.
- To study the challenges faced by the HRM in consultancy in the infancy.
- To study the changes HRM in Consultancy firms brought in the success rate of the industry due to having the good talent pool availability.
- To study the duties, responsibilities and issues of care and concern for others that arises within employment and in HRM in Consultancy firms.
- To study and analyze recent and other long-standing debates on problems in HRM in Consultancy firms.
- To study the conceptual framework of HRM in consultancy firms.

## 3. RESEARCH HYPOTHESES

- H 01:- The role of Human Resource in Job consultancy firms is not different from the other businesses. The challenges and the prospects for the human resource are same in the consultancy business as in other forms of business.
- H 02:- HRM practices in Job Consultancy firms are of high standards that help in more employee satisfaction.
- H 03 :- The employee productivity in Job Consultancy firms is above average

## 4. RESEARCH METHODOLOGY

### 4.1 Research design

The methodology used during the research study was as follows:

#### 1. Empirical study

**The empirical study consisted of three parts:**

##### a) Survey

The survey was conducted amongst the management and staff by using a questionnaire for analysis, initially compiled by the researcher.

##### b) Publications, books and magazines



Numerous publications, books and magazines, reports and articles have been written about HRM practices in Consultancy firms and about Naukri.com. Due to the fact that these companies have a "virtual" nature, we have gathered information from both on-line and off-line sources.

The Bibliography classification in this study has the following structure:

**Off-line Sources:**

- Articles and News from both Journal and National and International newspaper.
- Human Resource Management Journals.

**On-line Sources:**

- Specialised Web pages on information needs within the scope of the HRM in a consultancy industry.
- Web pages from the "virtual" press with news and opinions about the latest news and trends in Naukri.com which is an online portal.
- Corporate Web pages of Naukri.com.
- Specific portals and sites: recruiting agencies, executive search, public sector, and out placement.

**c) Data analysis**

The method used to interpret the data was to input the data into a spreadsheet in Microsoft Excel . This was then forwarded to a statistician who analyzed the data by means of a statistical computer program to present the researcher with tabular and graphical data. The results have been shown in Factor Analysis.

Once the readings had been compiled and classified, the next step was the field group, with specific surveys, with its own target sample and content. A questionnaire consisting of 9 questions was given to the employees of Naukri.com so that we can know their responses on HRM Practices in their company. The questionnaires were filled by the employees working in these companies. The results of this survey enhance the prior documentary research in defining the feedback on their job satisfaction and turnover in Naukri.com throughout Research Objective.

**4.2 Description of Data**

Primary data was collected from a sample of 100 randomly selected employees working in Naukri.com and area covered in Noida, Hyderabad and Chandigarh offices. Two hundred questionnaires were dispatched to the employees working in Naukri.com.

A total of 100 filled questionnaires were received. The respondents were also associated Naukri.com at various tiers of management.

Five points rating scale was used to measure the response. The scale ranged from five (strongly agree) to one (strongly disagree).

**5. REVIEW OF LITERATURE**

Review of literature identified nine essential HRM practices namely; recruitment and selection, training and development, performance appraisal, career planning, Job definition, compensation and reward, and employee participation. These practices have been used in the present study to evaluate the HRM in Naukri.com, and how much percentage of employees is satisfied and that their performance is up to the mark as compared to other companies. Recruitment and selection primarily aims at attracting maximum number of highly talented applicants and selecting the best to achieve competitiveness. The process entails concerted efforts by Naukri.com management to

ensure implementation enduring success of organizational strategy. **Cisco (2006)** argued that without excellent induction, the execution of organizational strategy may vacillate.

Effective Job descriptions are based on objective information obtained through job analysis, an understanding of the competencies and skills required to accomplish needed tasks, and the needs of the organization to produce work. Job descriptions clearly identify and spell out the responsibilities of a specific job. Job descriptions in Naukri.com, also include information about working conditions, tools, equipment used, knowledge and skills needed, and relationships with other positions.

Effective selection system in Naukri.com, based on modern, scientific and need-based tests is essential to affect desirable selection. Considerable resources are needed to ensure the effectiveness of these selection tests. Compatibility of individual and organizational value is an essential dimension that should receive priority for sustained retention. Naukri.com, HR practices following the effective selection and Career planning process.

Training and development generate tangible outcome (improved productivity, quality of products and services, and resource optimization), and intangible results in terms of enhanced self esteem, high morale, and satisfaction of employees due to acquisition of additional knowledge, skills, and abilities. **Kun (2000)** stressed that companies should invest heavily in training the workforce for implementation of customer focused strategy. **Blair and Sisakhti (2007)** found that expenditures on training and development yield enormous benefits.

Researchers have concluded that investment in training yields strategic advantage to the organizations (**Bitner and Zeithmal, 2001**). Naukri.com, Strategic focus on training, acquisition of new skills based on firms' future needs, training in hard and soft skills, and evaluating effectiveness of training are vital to achieve enduring results.

Career development has psychological meaning to the employees. Researchers argue that organizations should pursue participative mechanism to develop career related objectives of employees, make effective plans, implement and monitor the effectiveness of these plans to achieve employees' career objectives.

Strong evidence exists in literature that organizations with effective training pursuits experience lower employee turnover. Research has also shown that comprehensive training and development activities are positively related to productivity reduce staff intention to leave, and organizational effectiveness. The research concluded that training and development positively affect business performance.

Performance appraisal is based on demonstrated achievement of performance objectives established pertaining to a specified job within a given time period (**Arthur, 1994; Fey et al., 2000**). This process plays a vital role in influencing the perception of employees about self and about their contribution toward organizational goals. The system should be based on fairness, objectivity, inclusiveness, ethicality, standardization, and widely communicated. Regular monitoring of the performance and constant feedback about performance is essential to get the desired results. This Research results show that the employees' participation in setting performance goals, clarity about performance standards, flexibility of the system to respond to the changing needs, and employee right to appeal against performance evaluation are vital attributes of an effective performance appraisal that contributes toward superior performance by workforce.

Compensation includes all forms of monetary returns and allied services provided to employees (Milkovich and Newman, 1999). A comprehensive compensation mix augmented by an effective system of disbursement plays an effective role in attracting the best candidates, shaping employees, behaviour and performance outcome, and facilitates retention of talents. Application of competencies enhances performance and improves effectiveness. Research results concluded that compensation and reward planning is a vital dimension of effective HRM policies in Naukri.com. This research on HRM in a consultancy firms specifically in Naukri.com, provide strong evidence that employee participation is positive and significantly affect on employee's job satisfaction and so that we can see lower turnover rate in Naukri.com. The results of present study are in harmony with the Hypothesis what we have assumed.

## 6. LIMITATIONS

The study has some limitations. The present study is restricted to a small sample size in one industry and may therefore limit the broad area of the findings. The respondents provided the information on HRM practices and perceived measures of organizational and employee's performance. The possibility of respondents' biasing in reporting may have happened. As we have said earlier, HR practice of the region from a historical point of view may turn out to be a difficult bit. Within the framework of a new region-wide research project, we plan to examine the role and function of consultants in changes of HR functions, knowledge transfer and practical applications of HR, and the historical evolution of these factors, at the naukri.com.

## 7. PILOT TESTING OF INSTRUMENT

The instrument was pilot tested using a sample of 40 employees from the population. The results of pilot study reflected appropriate adequacy (Nunnally, 1978).The Cronbach's alpha of variables ranged from 0.782 to 0.856 respectively.

## 8. SURVEY FINDINGS

### 8.1 Reliability and Validity of Data:

The results indicated Cronbach's alpha for questionnaire (30 items) was 0.931. The Cronbach's alpha for individual variable of recruitment and selection (0.785); training and development (0.802); performance appraisal (0.845); compensation and reward (0.794); and Job satisfaction (0.823) Job definition contained (0.783); career planning contained (0.801); employee participation (0.787);Employee Turnover (0.782) were found above acceptable level (Nunnally, 1978).Results are at Table 1.

**Table.1: Reliability Analysis**

Variables Cronbach's	Cronbach's Alpha
Recruitment and Selection	0.785
Training and Development .	0.802
Performance Appraisal	0.845
Compensation and Rewards	0.794
Job definition	0.783
Job Satisfaction	0.823
Employee participation	0.787
Turnover	0.782
career planning	0.801

## 8.2. Results: Factor Analysis of The Source Credibility Scale

The nine HRM practices factors accounted for 53.74% of total explained variance.

- The first factor was categorized as Job Definition. This factor had three scale items and related to clear job responsibility, duties and its impacts on the overall mission of an employee and on Naukri.com organization. This factor accounted for 53.76% of explained variance and very important for understanding about the job profile before joining the consultancy.
- The second factor is Selection and this factor consisted of three scale items related to selection systems those who have desired knowledge and skills, merit-based hiring and selection on person-job fit philosophy. This factor accounted for (13.66%) of explained variance and considered as most vital part for employees and organization.
- The third factor i.e., 'training and development' had three scale items and comprised of need based training and development criteria, formal training programmes with focus on employee development, clear career path for individuals, acquisition of multi-skills, and formal evaluation of effectiveness of training. This factor explained (10.03 %) of variance.
- The fourth factor is 'performance appraisal' which accounted for (8.03%) of variance. This factor consisted of five items pertaining to objective, fair and transparent performance appraisal system with strategic congruence, quantifiable results, participation of employees in performance goal setting, continuous formal and informal monitoring, and feedback about performance, and provisions to employees to challenge the rating by supervisors.
- The fifth factor 'compensation and rewards' explained (5.47%) variance. The factor was defined by three scale items and was primarily related to competitive pay package that is disseminated to employees, performance-based pay, comprehensive incentive plans based on employees' contribution to firm's objectives, and combination of monetary and non-monetary rewards, and social recognition, and appreciation.
- The sixth factor is employee participation accounted for (3.8 %) of variance and comprised of two scale items regarding employees participation in decision making, provision of open door communication, autonomy in their functional areas, and opportunities to suggest improvements in the way things are performed.
- The seventh factor is Career planning accounted for (2.5%) cumulative value and comprised of three scale items. This is regarding the employee's career aspirations in the consultancy firms along with clear career path for employees those are working in Naukri.com consultancy.
- The eighth factor is Job satisfaction accounted for (2.36%) Variance and comprised of four scale items. This is about the employees those are working in Naukri.com firm how they are able to balance work priorities with their personal life and how happy they are for getting assistance given by the company in terms of money and leave for studies. This factor is a dependent variable and shows the results about the satisfaction level of Naukri.com employees are high and their productivity is up to the mark as compared to their competitors. They are also satisfied with the food provided by the company and with comfortable working conditions in Naukri.com as compared to other consultancy firms like Monster.com and Timesjob.com.
- The ninth factor is Employee turnover which scales four factors and tells the result that employees feel that this is the best of all organizations for which they work and they don't have any intention to resign from Naukri.com.

### 8.3 SURVEY FINDINGS

#### 8.3.1 Job Description

The duties and responsibilities of different job roles are clearly defined and we know how our job impacts the overall mission of our company.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	5	12	13	30	40

According to the survey responses Naukri.com employees felt that at the time of interview they were clear about their responsibilities and duties in their firms and they are highly satisfied with their job description because 70 employees out of 100 responses are in favour of Job description results. 13 employees think that it doesn't matter to them and 17 employees disagree with this statement.

#### 8.3.2 Selection

The selection systems are highly scientific and rigorous and HR team actively participates in the selection, and they select those having the desired knowledge, skills and attitudes.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	9	9	32	38	12

According to this statement 50 respondents feel that their firm's selection procedure is good for them and their HR people select only skilled employees for their jobs and only 18 respondents feel that their firm's selection procedure is not following the proper way to select people.

#### 8.3.3 Performance Appraisal

Appraisal system in our organization is growth and development oriented and Employees are provided performance based feedback and counseling.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	2	15	8	55	20

In these statement responses 75 employees out of 100 felt that their Performance Appraisal process is only for their development and growth and have received their feedback but 17 felt this Performance Appraisal system is not up to date and they are not satisfied with this practices in their firm and only 8 percent people feel that it doesn't matter to them.

#### 8.3.4. Career Planning

Associates in my organization have clear career paths and they are known by his/ her immediate supervisor. Our organization prefers an internal employee whenever a vacancy exists.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	5	13	25	45	12

In this question response 57 respondents are agreeing that the career planning in Naukri.com is doing good as a HR practice and they prefer internal employee for internal job application. But 18 per cent felt this practice is not up to the mark and 25 employee's doesn't care about this practice.

#### 8.3.5 Compensation

In our organization, salary and other benefits are comparable to the market, and compensation is decided on the basis of competency or ability of the employee, and profit sharing is used as a mechanism to reward higher performance.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	1	60	5	30	4

61% of employees felt that whatever compensation they are getting in Naukri.com is not sufficient and not up to the mark but 34 per cent of employees felt this is not true and only 5 per cent of employees feel that it doesn't matter to them.

### 8.3.6 Training

Our organization conducts extensive training programs for its employees in all aspects of quality and employees in each job will normally go through training programs every year and most important Training needs are identified through a formal performance appraisal mechanism.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	0	2	8	28	62

Research study has been done to examine the effects of training and development on employee's satisfaction and performance. We found positive and significant link between investment in training and development activities and employees performance.90 percent of employees felt that they are getting proper Training and Development programs every year and these needs has been identified with the help of Performance appraisal. But, only 2% of employees feel they are getting proper Training for their jobs.

### 8.3.7 Employee Participation

Employees are provided opportunity to suggest improvements in the way things are done here and associates are encouraged to participate in making decisions that affect their work.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	2	8	15	55	20

Employee participation is characterized by wide ranging HRM related activities primarily focused on employee management. These practices include employees sharing schemes, cooperatives, industrial democracy, employees' involvement, HRM and high commitment work practices, team working, collective bargaining, employee empowerment, employee partnership in providing input in strategic decision making, and employees' right of information sharing at all levels and according to survey report 75 per cent of employees agreed with this statement that they are encouraged by their HR department to make decisions in their work. But only 10 per cent felt they are not allowed to make any decisions in a Naukri.com.

### 8.3.8 Job Satisfaction

I am able to balance work priorities with my personal life and I am happy with assistance given by the company in terms of money, leave for studies and the food provided by the company (meals, tea, drinking water etc.)

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	5	12	13	30	40

This research on HRM in a consultancy firms specifically in Naukri.com provide strong evidence that employee participation is positive and significantly affect on employee's job satisfaction and

so we can see lower turnover rate in Naukri.com. The results of present study show that 70 per cent of employees felt that they are able to balance their personal life and professional life. 17 per cent don't agree with this statement and only 13 per cent find that it doesn't matter to them.

### 8.3.9 Employee Turnover

Overall, we have extremely satisfied with this organization as a place to work and for me this is the best of all possible organizations for which to work.

Rank	S Disagree(1)	Disagree(2)	Indifferent(3)	Agree(4)	S Agree(5)
Employees responses	16	19	20	35	10

According to the survey for employee turnover 45 per cent employees feel they don't want to change Naukri.com but 35 per cent employees felt that they would like to change their company in future.

## 9. FINDING OF THE STUDY

The Research contributes to understanding of HRM in a consultancy firms specifically a case in Naukri.com. The results of the study offered empirical support for the existence of a positive job satisfaction in employees of Naukri.com, consultancy. This study of Naukri.com, employees occurred in Noida, Hyderabad and Chandigarh office offered support for the Hypothesis that the role of Human Resource in a consultancy firms is not different from the other businesses. The challenges and the prospects for the human resource is same in the consultancy business as in other forms of business. HRM in Consultancy firms like Naukri.com is having up to the mark and maintain very high standards of employee satisfaction. The results indicate statistically satisfied practices of HRM like recruitment and selection, training and development, performance appraisal, job definition, career planning, compensation and rewards, and employee participation which leads to employee satisfaction and employee retention. The result of present study indicate that extensive use of an integrated approach to efficient HRM practices yield positive results in term of their effects on employee performance and Employee satisfaction . In context of Naukri.com, it would be pertinent to substantiate these results through empirical studies of other industries of the economy.

## 10. RECOMMENDATIONS AND SUGGESTIONS

On the basis of findings of this study, following recommendations and suggestions are submitted for better relations:-

1. Naukri.com, management should regularly review objectives, strategies and processes associated with people management practices in Naukri.com, and make changes or introduce innovations accordingly.
2. Managers should monitor the satisfaction and commitment of employees on a regular basis using standardised surveys.
3. In Naukri.com managers need to monitor employee perceptions of the policy of their organisations, examining areas which contribute towards a people-orientated culture.
4. Employees in Naukri.com need to receive adequate training and support to provide effective vision and direction for the organisation's people management strategies.

5. The central element of Naukri.com philosophy and mission should be a commitment to the skill development, well-being and effectiveness of all employees.
6. This paper throws some light on HRM and employee's performance link with the help of available literature. Besides quite a number of research activities are underway in consultancies firms, but this phenomenon is turning out to be an emerging issue for Academicians and researchers.
7. HRM practices should be reviewed across the organisation in the following areas: Recruitment and selection , Performance appraisal, Training, Reward systems, Design of jobs (richness, responsibility and control) , Career planning

## 11. CONCLUSION

It is important to mention that the HR systems and tools in consulting firms are tending to shift towards those in traditional industries. Nevertheless, we believe that HRM practices of these companies are quite distinctive and thus are keeping their unique features and Employee productivity up to the mark. Many years of service as India's leading consultancies have shown that working as a consultant in these companies offer an ideal environment for strategic thinkers, those with an ability to solve problems, show flexibility and have a desire for continued professional training. The range of activities is challenging. It requires of each individual that he or she is aware of these demands. These job consultancy companies offer attractive and demanding work, and corporate culture, supportive environment and inspire the employees. They must constantly develop their human resources department in such a way that they can continue to offer their employees the outstanding opportunities that will keep them excited about working in these firms. Similar to client projects that these companies execute, they should continuously monitor and revise the current benchmarks for outstanding, motivating human resources development activities. These firms should take the elements which they consider to be reasonable and relevant both for the satisfaction and growth of their employees and for the firm's objectives and develop internal concepts for implementation in harmony with their specific environments. They should regard this form of innovative and active human resources practices as their responsibility towards their employees. In last decade, though HR practices in consulting companies have been focused to transform and improve its operational effectiveness, but few significant changes in real sense of improvement are done, and the actual impact of those transformations has seen only limited level of success. These companies know very well the importance of being nimble in today's dynamic and rapidly changing environment and should be ready to face the ongoing challenge of reinventing the importance as well as role of HRM in developing the most valuable assets – the employees.

**Table-2: Rotated Component Matrix: Independent Variables (Only loadings above 0.5 have been, mentioned in table)**

Item	Factor Name						
	Job Definition	Selection Procedure	Performance Appraisal	Career Planning	Compensation	Training	Employee Participation
Jobdef1	.752						
Jobdef2	.874						
Jobdef3	.700						

Sel1		.875					
Sel2		.878					
Sel3		.892					
App1			.889				
App2			.826				
App3			.872				
App4			.816				
App5			.922				
Cplan1				.903			
Cplan2				.852			
Cplan3				.641			
Comp1					.833		
Comp2					.911		
Comp3					.805		
Train1						.907	
Train2						.883	
Train3						.890	
Partici1							.932
Partici2							.932

**Rotated Component Matrix: Dependent Variables (Only loadings above 0.5 have been mentioned in table) turn 2 has been removed due to poor loading.**

Item	Factor Name	
	Job satisfaction	Turnover
Jobsat1	.861	
Jobsat2	.806	
Jobsat3	.621	
Jobsat4	.791	
Turn1		.902
Turn3		.927
Turn4		.917

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## Effects of Civilian and Military Consumption on South and East Asian Countries: A Panel Data Analysis

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### Abstract

*This study is an attempt to estimate the opportunity costs of military expenditure in terms of consumption in developing economies of South and East Asian countries. Military of developing countries are highly paid comparing to their civilian counterpart. This study examines empirically comparative consumption effect between military and civilian consumption considering ten South and East Asian countries over the period 1988-2008. Empirical analysis of the study finds that the amount of marginal benefit in utility terms accrued by the extra unit expenditure on military is less than the marginal benefit accrued by the extra unit expenditure on civilian in the society as a whole. It is clear that the part of military expenditure which is used for consumption purposes has a positive multiplier effect on the economy though controversy remains about the effect of overall military expenditure on the economy. Therefore, the consumption effect of military expenditure should be accounted with compare to civilian consumption in developing society.*

**Keywords:** Consumption effect; Civilian consumption; Military consumption; Panel data analysis

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## 1. INTRODUCTION

The very first research regarding the effect of military expenditure (miles) on economic growth begins with the study of **Benoit (1973)** who finds a positive correlation between miles and economic growth. After his work, number of researchers analyze in this context using time series, cross-section and panel data of individual country, group of countries applying various econometric techniques. Some find positive growth effect of miles on the economy, some other find negative effect of miles on the economy. So, their findings in fact, give rise to an interesting, but fierce debate. A number of researchers have claimed that military expenditure has a positive spin-off effect on the economy. They claimed that military as an organized force help in the process of modernization, provide technical skills, educational training, and create infrastructure necessary for economic development. They argue that this spin-off effect may occur by creating effective demand and increasing productivity through technological advancement. Empirical evidence for this argument is provided by, among others **Benoit (1973, 1978)**, **Ward et al. (1991)**, **Sezgin (1997, 2000)**, **Alexander (1995)**, **Kennedy (1974)**, **Dixon and Moon (1986)**, **Chletsos and Kollias (1995)**, **Dunne and Nikolaidou (2001)**, **Yildirim et al. (2005)**.

On the other hand, a number of researchers also claim that military expenditure may retard economic growth by crowding out civilian consumption, more productive civilian investment, health, and education expenditure and infrastructure development and creates a balance of payments problem. Empirical evidences supporting this argument among others are- **Cappelen et al. (1984)**, **Nabe (1983)**, **Heo (1999)**, **Klein (2004)**, **Lebovic and Ishaq (1987)**, **Mintz and Huang (1990)**, **Linden (1992)**, **Ward and Davis (1992)**, **Dunne and Vougas (1999)**, **Galvin (2003)**, **Lim (1983)**, **Faini et al. (1984)**, **Deger (1986)**, **Antonakis (1997, 1999)**, **Kelly and Rishi (2003)**. The previous studies regarding this issue investigate the effect of overall military expenditure on the economy. In order to identify the effect of miles on the economy, it is important to know the sectoral allocation of miles and to calculate its separate effect on the economy. Expenditure on miles can be broadly divided into four components: (I) Expenditure on military personnel (II) Expenditure on maintenance and operations (III) Expenditure on military hardware import (IV) Expenditure for creating human and physical capital. These sectoral allocations are very important for identifying growth effect of miles. Expenditure on military personnel creates income of the personnel that have only consumption effect on the economy. Again, such expenditures on building schools, colleges, universities, medical colleges, training institutions, or administer these institutions create human and physical capital for the society. These two types of expenditures might have positive effect on the economy. On the other hand, expenditure on maintenance and operations may not have any positive influence on the economy. But expenditure on military hardware imports put pressure on developing countries' stock of foreign exchange reserves; as a result they may not be able to import other more desired productive capital goods due to shortage of foreign exchange. Therefore, these two kinds of expenditures might have negative effect on the economy. In the developing countries, most parts of miles remain engaged for salary of military personnel and maintenance and operations purposes. Almost 70% to 80% of their allocation remains for these two sectors. Therefore, very few of the allocation remains engaged for the purpose of creating human and physical capital and per capita cost of creating such capital is very high in this sector. At the one hand, government of

developing countries spend large amount of money for defense sector but they can not play an important role to create human and physical capital. On the other hand, they face a trade-off among budgetary allocations. They compel to allocate large amount of money in defense ignoring various important sectoral allocation such as education, health which could create more economic opportunities, including human capital for the society. As a result, both military and civilian sectors do not remain engaged for creating human capital and can not improve the absorptive capacity of the nations. Savings, investment, human capital, foreign resources are all important for growth and development. Economic growth can be viewed as an interaction of factors that operate from the demand as well as the supply side of aggregate output and its sectoral composition. If the growth of demand is sufficient, then labor-abundant developing countries need human and physical capital to increase growth from the supply side. The effects of milex on the economy mainly depend on the allocation of military budget and how it interacts with the rest of the economy at the one hand and on the other hand, the existence of any trade-off between milex and other government expenditures. Expenditure on armaments and military expenditure in total is not the same thing. The largest proportion of defense expenditure goes not on armaments but on personnel costs and on operations and maintenance. **Harris (1986)** shows that in common with developed countries, personnel costs made up almost half in Indonesia's military expenditure, and 'operation and maintenance' accounted for a further 28% in 1978/79. Again, **Ball (1983)** estimates total security expenditure for 48 LDCs and finds that personnel and operations/maintenance costs made up over 90% of total costs in the Philippines, Singapore and Thailand, and 75% for Malaysia in the late 1970's. **Chletsos and Kollias (1995)** analyze the Greek military data during the period 1974-1990, finds that more than half of military expenditure is allocated for military personnel. Therefore, largest part of military expenditure has a consumption effect on the economy. This consumption effect of milex should be accounted with compare to civilian consumption. This study is an attempt to estimate the opportunity costs of milex in terms of consumption in developing society especially in the economies of South and East Asian countries of the world.

## 2. OBJECTIVES OF THE STUDY

The main objectives of the study are to identify and analyze the effects of civilian and military consumption on the economies of South and East Asian countries.

## 3. METHODS OF ESTIMATION

Consumption has a multiplier effect on the economy. **Haris (1986)** and **Ball (1983)** find that most of the military costs go for personnel and maintenance/operations purposes. This cost is made up above 75% for some East Asian countries. And only military personnel cost is no less than 50%. Military personnel income is made up for consumption purposes. This might have consumption effect on the economy. The study aims to examine empirically whether civilian consumption effect is more effective than military consumption effect. Marginal utility is assumed to be a function of consumption expenditure. Therefore, it can be expressed  $MU = f(C)$ ,

Here  $MU$  = Marginal Utility,  $C$  = Total Consumption Expenditure.

To examine the effect, consumption expenditure is divided into two broad categories of spending.

$C = CC + MC$ , here,  $CC$  = Civilian consumption,  $MC$  = Military consumption

For examining the effect of consumption, the following two very simplistic deterministic models are constructed.

$$MU = b_0 + b_1CC + b_2MC \quad \dots (1)$$

A panel data econometric technique is used to estimate the consumption effect for a sample of 10 South and East Asian countries over the period 1988-2008. Among them Bangladesh, India, Nepal, Pakistan, and Sri Lanka are 5 South Asian countries, and Indonesia, Korea Republic, Malaysia, Philippines, and Thailand are 5 East Asian countries. It is assumed here; per unit consumption creates one unit of utility. Therefore, consumption expenditure of these countries equals total utility in terms of social consumption. First difference of total utility means marginal utility of any country. Consumption expenditures of military are not available. Since, large portion of milex are allocated for salary. Further, 50% of milex are considered for military consumption. Consumption and milex data are collected from World Development Indicator of World Bank. All data are converted into purchasing power parity form. Differencing military consumption from total consumption, civilian consumption is calculated. After converting total consumption into total utility equivalent, total utility, military and civilian consumption expenditure data are transformed into natural logarithmic form. Finally, the following equation is considered for estimation:

$$MU_{it} = b_0 + b_1CC_{it} + b_2MC_{it} + U_{it} \quad \dots (2)$$

Where,  $MU$  = Natural logarithms of marginal utility

$MC$  = Natural logarithms of military consumption

$CC$  = Natural logarithms of civilian consumption

$U$  = Disturbances

#### 4. EMPIRICAL RESULTS

To find out the consumption effect for the ten South and East Asian countries, balanced micro panel data over the period 1988-2008 are considered in this regard. The study first investigates whether all the variables of the countries of the model are possible to pool the data or not naturally arise with panel data. The study performs Roy-Zellner test for poolability across countries, allowing for one-way error component disturbances, yields an observed F-value of 0.7880 which is distributed as  $F(27,170)$  under  $H_0 : \delta_i = \delta$  for  $i = 1, \dots, N$ . This does not reject poolability across countries even after allowing for one-way error component disturbances. The Roy-Zellner test for poolability over time, allowing for a one-way error component model, yields an F-value of 0.3074 which is distributed as  $F(57,140)$  under  $H_0 : \delta_t = \delta$  for  $t = 1, \dots, T$ . This does not reject poolability over time even after allowing for one-way error component disturbances. Summary results of Roy-Zellner test for poolability are shown in table.

**Table-1: Summary Results of Roy-Zellner Test for Poolability**

Test	Null hypothesis	F values	Findings
Roy-Zellner Test	$H_0 : \delta_i = \delta$ for $i = 1, \dots, N$ (Poolability across countries, allowing for one-way error component model)	F=0.7880 (27 and 170d.f.)	Do not reject at 5% level of significance
Roy-Zellner Test	$H_0 : \delta_t = \delta$ for $t = 1, \dots, T$ (Poolability over time, allowing for one-way error component model)	F=0.3074 (57 and 140 d.f.)	Do not reject at 5% level of significance

Before estimation of the proposed model, the study performs first whether country specific effect contains in this model. This is done using Breusch-Pagan (BP) test, which is distributed as  $\chi_1^2$ . Next, the study also examines whether time effect contains in this model. This is also done using BP test. Finally, the study uses Hausman’s test to specify whether a fixed or a random effects model is more appropriate. The Hausman test is distributed as  $\chi_2^2$ , where the degrees of freedom are equal to the number of regressors.

**Table-2: Summary Results of BP and Hausman Tests**

Null hypothesis	Tests	Results
$H_0 : \text{no individual effect}$	BP=3.34 (3.8414)	Null hypothesis do not reject
$H_0 : \text{no time effect}$	BP=0.39 (3.8414)	Null hypothesis do not reject
$H_0 : \text{no correlation between the individual effects and other variables}$	Hausman=5.18 (5.9914)	Null hypothesis do not reject

Values in brackets are  $\chi^2$  statistic at 5% level.

BP tests suggests that there are individual and time effects, and the Hausman test, which does not reject any correlation between the individual effects and other variables in the model, the study would conclude that of the two alternatives that have been considered, the random effects model is the better choice. Two-way random effect model is appropriate for the model. Summary results of BP and Hausman tests are shown in Table-2.

After estimating the model, the study performs Wooldridge test for autocorrelation in panel data and identifies the presence of autocorrelation. Therefore, the study applies Feasible Generalized Least Square (FGLS) method that considers heteroskedasticity of the panel data and corrects autocorrelation simultaneously. Estimation output is shown below in equation form:

$$\begin{array}{rcc} \text{MU}_{it} = -0.9805 + 0.68905\text{CC} + 0.2682\text{MC} & & \dots (3) \\ (-1.65) & (7.36) & (3.53) \\ \{0.100\} & \{0.000\} & \{0.000\} \end{array}$$

Values in brackets are standard error and values in parentheses are p-values.

From the estimations, the study finds that the amount of marginal benefit in utility terms accrued by the extra unit expenditure on military is less than the marginal benefit accrued by the extra unit expenditure on civilian in the society as a whole. It can be argued that military expenditure is more costly than the civilian expenditure of ten South and East Asian countries in terms of consumption.

## 5. CONCLUSION

Like other, consumption expenditure of military has a multiplier effect on the economy. But this impact is less effective than coming from the civilian consumption expenditure. Therefore, the government of developing countries should be more cautious in the military allocation. Given the competing claims on the scarce resources, every developing country ought to prioritize their budgetary allocation based on the opportunity cost as measured by the marginal benefit sacrificed in terms of highly valued civilian benefits.

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## Liquidity Management in Indian Electrical Equipment Companies (A Comparative Study of Companies Listed in Nifty 50)

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### Abstract

Liquidity is perceived as the debt paying ability of a going concern. Liquidity refers to how quickly and cheaply an asset can be converted into cash. Liquidity is the ability of a company to meet the short term obligations. To keep a constant eye on liquidity position of a company, it is of utmost importance as without it a company cannot survive. In this paper a comparative study on the liquidity position of capital goods industry i.e., Indian Electrical Equipment Industry has been done to know the liquidity position of the companies listed in Nifty 50 under this segment. The techniques of mean, standard deviation, coefficient of variation, ratio analysis, and Motaal's ultimate rank test has been applied to conclude. The major findings of the paper are the current assets, liquid assets, current liabilities, net working capital and quick net working capital of BHEL and Suzlon Energy Ltd. shows a positive growth rate which indicates that the liquidity position of the company was safe during the period of study except ABB Ltd. and Siemens Ltd whose quick net working capital growth rate is negative which indicates towards unsound liquidity position. The major components of current assets of all the companies are Inventories and Sundry debtors except Suzlon Energy Ltd. whose major component is loans and advances. According to Motaal's Ultimate Rank Test the liquidity position of Siemens Ltd. seems to be sound among the selected companies.

**Keywords:** Liquidity Management, Components of Working Capital, Ratio Analysis, Motaal's Ultimate Rank Test

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## **1. INTRODUCTION**

In a "perfect" world, there would be no necessity for liquidity. In such a world, there would be no uncertainty, no transaction costs, information search costs, scheduling costs, or production and technology constraints. The unit cost of producing goods would not vary with the amount produced. Firms would borrow and lend at the same interest rate. Capital, labour, and product markets would reflect all available information and would be perfectly competitive. In such a world, a firm does not have any advantage to invest in short run.

But the world in which the firm has to function is not perfect, it is characterized by uncertainty, transaction cost, information cost, variability of cost associated with producing goods for sale. Firms are also facing limitation on production capacity and technology. These real world characteristics introduce problems to the firm to deal with.

In a dynamic economy, active or latent threats to and opportunities for the business originate with some kind of change: change in consumer behaviour, technology, competitor's action, or change within the business itself. Usually, where change is anticipated, the threat can be avoided and the opportunity can be seized. Since it is important to ensure that all changes are anticipated (**Marques, Maria Manuela Farelo Athayde, 1988**). Cash and liquidity management has become more important than ever before. Companies are realizing that it is difficult to maintain the adequate cash flow and profit margins in a global economic crisis.

Liquidity is the ability to meet expected and unexpected demands for cash through ongoing cash flow or the sale of an asset at fair market value. Liquidity risk is the risk which at some time an entity will not have enough cash or liquid assets to meet its cash obligations. A firm in order to remain in existence and sustain its activities as a going concern must remain liquid and meet its obligations as and when they become due. Even though firms traditionally are focused on long term capital budgeting and capital structure, the recent trend is that many companies across different industries focus on working capital management efficiency (**Barad Mahesh M., 2010**). The existence of an adequate liquidity and its careful management can make substantial difference between the success and failure of an enterprise.

It is often observed that whenever a financial analysis of companies is done, more emphasis is given on the profitability of the business rather than on its liquidity. Of course, this is quite obvious, as the most important financial objective of any business is to earn profit. So, the managers lay more emphasis towards profitability. But another significant variable is liquidity which means the ability of a company to honour short term financial obligations. If the company which is not able to honour its short-term financial obligations, it moves a step ahead towards its bankruptcy. Liquidity management, therefore, involves the amount of investments in liquid assets to meet the short-term maturing obligation of creditors and others.

Liquidity is having enough money in the form of cash, or near-cash assets, to meet the financial obligations. In business, cash is king, particularly during tough economic times or when the markets are turbulent. Without cash, company cannot pay its bills nor carry out growth plans, and it may find it difficult to get credit or take advantage of business opportunities (**Dr.W. Villagio**). A company that cannot pay its creditors on time and continue not to honour its obligations to the suppliers of credit, services, and goods can be declared a sick company or bankrupt company.



findings, suggested the direct need for improvement of liquidity and solvency position of sample companies failing which the situation would lead to serious liquidity crunch.

**Richard (1995)** in the study on "Invest working capital for better returns" felt that the investment in working capital has to be capitalized. They said that the goals of investment in working capital were threefold: to find income producing opportunities for cash that is temporarily idle, to maximize yield and to maintain the liquidity of the investment. With his experience as associate financial consultant with Merrill Lynch's Private client group in Arlington Mr. Romero felt that the firms have to have concrete formula of optimum investment in working capital.

**Hrishikes (1995)** in his book on "*Total Management by Ratios*" says that problem of liquidity management is more acute for companies which are growing at a fast rate. The rising cash flow (profit) curves gives a euphoric feeling of "all being well everywhere", which makes the managers to press the growth button faster. What they lose sight of is the real cash position of the company which might be showing a downward trend and hence, pushing the company the slowly and then vigorously towards a severe liquidity crisis despite the company making high profit. Unfortunately, once an enterprise-manager presses the growth buttons, it is difficult for them to retract the steps. The continuous erosion of liquidity ultimately makes a high-growth company sick. There is nothing wrong in making profit, in fact, that is the purpose of business, but unless there is cash coming through profit, an enterprise will soon be dead.

**Elijelly (2004)** in the study on "Liquidity - profitability tradeoff: An empirical investigation in an emerging market" empirically examined the relation between profitability and liquidity, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock companies in Saudi Arabia. The study found significant negative relation between the firm's profitability and its liquidity level, as measured by current ratio."

**Chakraborty (2008)**, in the study on "Working Capital and Profitability: An Empirical Analysis of Their Relationship with Reference to Selected Companies in the Indian Pharmaceutical Industry" evaluated the relationship between working capital and profitability of Indian pharmaceutical companies. He pointed out that there were two distinct schools of thought on this issue: according to one school of thought, working capital is not a factor of improving profitability and there may be a negative relationship between them, while according to the other school of thought, investment in working capital plays a vital role to improve corporate profitability, and unless there is a minimum level of investment of working capital, output and sales cannot be maintained - in fact, the inadequacy of working capital would keep fixed asset inoperative.

**Kevin and Young (2009)** in their article on "Need Cash? Look Inside Your Company" had taken a hard look at the way company manages its working capital. He identified that a lot of capital tied up in receivables and inventory could be turned into cash by challenging the working capital practices and policies of the company. He had explored six common mistakes that companies make in managing working capital. He says that the simple act of correcting them could free up enough cash to make the difference between failure and survival in the current recession.

**Sherin (2010)** in her article on "Liquidity v/s profitability - Striking the right balance" writes about the implications of liquidity and profitability in a pharmaceutical company. A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations. Investments in current assets are inevitable to ensure delivery of goods or services to

the ultimate customers. A proper management of the same could result in the desired impact on either profitability or liquidity.

**Chandrabai et al. (2011)** in their paper on “ Working Capital Management of Indian Electrical Equipment Manufacturers-A Comparative study” found that the companies in the electrical equipment industry have performed fairly well for financial year 2010. The sales of most of the companies have increased. The management of Working Capital is one of the most important and challenging aspect of the overall performance of the organization. Merely more effective and efficient management of working capital can ensure survival of a business enterprise. Working Capital Management is concerned with the problems that arise in attempting to manage the Current Assets, Current Liabilities and the interrelation that exists between them. This study analyses the comparative study of working capital management in Indian Electrical Equipment Industry and it is limited to the companies BHEL and ABB Ltd represent public and private sector enterprises respectively. Relevant data has been extracted from the consecutive annual reports between financial years 2005-06 to 2009-10 of both the companies

**Nandi Chandra Kartik (2012)** in his paper on “Trends in Liquidity Management and Their Impact on Profitability: A Case Study” makes an attempt to assess the trends in liquidity management and their impact on profitability. An attempt has been made to establish the linear relationship between liquidity and profitability with the help of a multiple regression model. On the basis of overall analysis, it is therefore important to state that the selected company always tries to maintain adequate amount of net working capital in relation to current liabilities so as to keep a good amount of liquidity throughout the study period.

### **3. PROFILE OF ELECTRICAL EQUIPMENT INDUSTRY**

Power is a necessary fuel for a growing economy. The electrical equipment industry in India caters to the needs of the power generation, transmission, distribution and energy management sectors. The Indian electrical equipment industry has reported a decelerated growth to 6.6% in 2011-12 as compared to 11.3% and 13.7% in 2009-10 and 2010-11, respectively, according to data compiled by the Indian Electrical and Electronics Manufacturers’ Association (IEEMA). The industrial sector, due to increasing capacity additions, has the highest demand for electricity, as compared to others sectors (domestic, commercial and agriculture).

**The companies that are listed in NIFTY 50 under this industry and which come under the area of the study are:**

- ✓ ABB Ltd.
- ✓ BHEL
- ✓ Siemens Ltd.
- ✓ Suzlon Energy Ltd.

Brief company profiles of all the above companies are as follows:

#### **3.1. ABB Ltd.**

The Company was incorporated on 24.12.1949 as The Hindustan Electric Company Limited. On 24.09.1965, the Company’s name was changed to Hindustan Brown Boveri Limited (HBB). Pursuant to the Scheme of Amalgamation of Asea Limited with HBB with effect from 1st January

1989, the name was further changed to Asea Brown Boveri Limited, with effect from 13.10.1989. Effective 16.04.2003, the name was further changed to ABB Limited.

ABB is a global leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The company business is present in around 100 countries.

ABB Ltd. is engaged in the power transmission, distribution, and power-plant automation. It operates through six segments: Power Products, Power Systems, Discrete Automation and Motion, Low Voltage Products, Process Automation, and Corporate and other.

ABB's motto "Power and productivity for a better world" reflects our vision that "our products and services must not only support our customers in their business objectives, but that these products are symbiotically embedded within the wider perspective of society and the world in which we live."

### **3.2. BHEL**

**BHEL** was founded in 1950s. **Bharat Heavy Electricals Limited-BHEL**, has today emerged as the largest engineering and manufacturing enterprise of its kind in India and ranks amongst the top ten power generation equipment manufacturers in the world. With a massive network of 14 manufacturing Units, **BHEL** manufactures almost all critical high technology products required for power sector like Gas Turbines, Steam Turbines, Turbogenerators, Boilers, Pumps and Heat exchangers, Pulverisers and electrical switch gears. The mission of the company is "To be an Indian Multinational Engineering Enterprise providing Total Business Solutions through Quality Products, Systems and Services in the fields of Energy, Industry, Transportation, Infrastructure and other potential areas."

### **3.3. Siemens Ltd.**

Siemens Ltd. is a German multinational conglomerate company headquartered in Munich, Germany. It is the largest Europe-based electronics and electrical engineering company. Siemens was founded in Berlin by Werner von Siemens in 1847.

Siemens Limited provides technology-enabled solutions operating in the core business segments of industry, energy and healthcare. It operates in eleven segments: Industry Automation, Drive Technologies, Building Technologies, Industry Solutions, Mobility, Fossil Power Generation, Oil & Gas, Power Transmission, Power Distribution, Healthcare and Real Estate.

For over 160 years, Siemens' motto has been to always stay one step ahead. Our aim is "a sustainable business environment, which we're promoting on a global level."

### **3.4. Suzlon Energy Ltd.**

Beginning with a wind farm project in the Indian state of Gujarat in 1995, with a capacity of just 3 MW - the founder set forth to acquire the basic technology and varied expertise to set up **Suzlon Energy Limited - India's first home-grown wind technology company.**

**The Suzlon Group** is ranked as the world's fifth largest wind turbine supplier, in terms of cumulative installed capacity, at the end of 2010. The company's global spread extends across Asia, Australia, Europe, Africa and North and South America. The Group offers one of the most comprehensive product portfolios-ranging from sub-megawatt on-shore turbines at 600 Kilowatts (KW), to the world's largest commercial 6.15 MW offshore turbine - built on a vertically

integrated, low-cost, manufacturing base. The vision of the company is “To be the technology leader in the wind sector”.

#### 4. OBJECTIVES OF THE STUDY

1. To know the overall quantum of liquid assets maintained by the selected companies.
2. To study the components of working capital and to find the major component responsible for change in it.
3. To study the liquidity position of the companies under study.
4. To compare the liquidity position of the selected companies under the Electrical Equipment Industry

#### 5. RESEARCH METHODOLOGY

The samples selected for the study are the companies listed in Nifty 50 under Electrical Equipment Industry which is four companies namely, ABB, BHEL, Siemens, Suzlon. This study is based on secondary data. The data required for this study have been collected from the published annual reports of the selected companies. The study covered a period of five years starting from 2007 to 2011. This study covers mainly the following aspects of the Liquidity Management (i) Components of Working Capital, (ii) Trends of Working Capital, (iii) Trends of Current Assets (CA) and Current Liabilities (CL) with their indices. The techniques applied in the study are Percentage method, mean, standard deviation, coefficient of variation, Ratio Analysis, Motaal’s Ultimate Rank Test.

#### 6. DATA ANALYSIS

To analyse the liquidity position of a particular company it is essential to know the overall quantum of liquid assets maintained by a company and to find out the change in this quantum during the period under study.

**Table 1: Liquidity Position of ABB Ltd.**

Year	Current Assets	Liquid Assets	Current Liabilities	Woking Capital (net)	Change in net working capital	Working Capital (Quick)	Change in Quick working capital
2007	4110.70	3621.99	2999.31	1111.39	-	622.68	-
2008	4699.83	4057.18	3321.52	1378.31	266.92	735.66	112.98
2009	4749.27	4019.86	3131.98	1617.29	238.98	887.88	152.23
2010	4926.22	4228.37	3347.69	1578.53	-38.76	880.68	-7.21
2011	4960.04	4034.49	3750.94	1209.10	-369.43	283.55	-597.13
Mean	4689.21	3992.38	3310.29	1378.92		682.09	
Growth Rate (%)	20.66	11.39	25.06	8.79		-54.46	
S.D.	342.02	223.39	284.69	221.97		248.51	
C.V (%)	7.29	5.6	8.60	16.1		36.43	

Source: Annual Reports of ABB Ltd.

It is evident from Table 1 that current assets of ABB Ltd. increased from Rs. 4110.70 crore in 2007 to Rs. 4960.04 crore in 2011. On average, the company had current assets of Rs. 4689.21 crore with a growth rate of 20.66%. The standard deviation of current assets was Rs. 342.02 crore and the

coefficient of variation was 7.29%, which shows a steady growth of current assets during the period of the study.

Liquid assets also increased from Rs. 3621.99 crore in 2007 to Rs. 4034.49 crore in 2011 with an average of Rs. 3992.38 crore. The growth rate of liquid assets was 11.39% showing a sufficient liquidity position during the period of the study. The standard deviation was Rs. 223.39 crore and the coefficient of variation was 5.6%, which shows less variability in liquid assets during the period under reference.

Current liabilities increased with a growth of 25.06% during the study period from Rs. 2999.31 crore in 2007 to Rs. 3750.94 crore in 2011. The overall average was Rs. 3310.29 crore and the coefficient of variation was 8.6%, which is more than the growth of current assets and liquid assets evidencing more flexibility in current liabilities during the study period.

Of the several measures, net working capital (NWC) itself provides the one, which indicates a 'margin of safety' or cushion of protection provided for creditors. Such a margin or cushion of protection provided by the company is exhibited in table 1. The table shows that the company had positive net working capital throughout the period of the study. The greater the amount of net working capital, the greater is the liquidity of the firm. NWC increased from Rs. 1111.39 crore in 2007 to Rs. 1209.1 crore in 2011; on average it was Rs. 1378.92 crore.

The net working capital of ABB Ltd. did not show any definite trend of rise and fall. It varied between Rs. 1111.39 crore in 2007 to Rs. 1617.29 crore in 2009. NWC registered a growth of 8.79%, which evidences that the working capital increased less than the current assets and liabilities. The standard deviation of net working capital is Rs. 221.97 crore and the coefficient of variation was 16.1%, which is more than the coefficient of variation of current assets and liabilities.

With a view to indicating whether or not there was growth in NWC, a growth index, as exhibited in Table 1, has been prepared. The Table reveals that there was a growth in net working capital during the period of the study.

In fact, the measure of net working capital does not indicate the true ability to pay current debts when they become due. Net working capital being the excess of current assets over current liabilities and since these current assets comprise illiquid inventory, the measure of 'quick net working capital' (QNWC), i.e., quick/ liquid assets less current liabilities, has been adopted as more relevant than the measure of NWC. Quick assets refer to current assets less inventory. The QNWC figures computed for the company are presented in Table 1, which clearly shows that the selected company had a positive 'margin of safety' or 'cushion' of protection provided for the creditors from quick/ liquid assets throughout the period of the study. The quick net working capital of ABB Ltd. also does not show any definite trend of rise and fall. The growth rate of QNWC is declining. On average, the company had positive QNWC. Hence, the measure of QNWC evidences the capability of the company to pay current debts in all the years of the study.

**Table 2: Liquidity Position of BHEL Ltd.**

Year	Current Assets	Liquid Assets	Current Liabilities	Working Capital (net)	Change in net working capital	Working Capital (Quick)	Change in Quick working capital
2007	20979.96	16762.29	14337.09	6642.87	—	2425.20	—
2008	27906.18	22169.78	20022.30	7883.88	1241.01	2147.48	-277.72
2009	36901.07	29064.05	28332.90	8568.17	684.29	731.15	-1416.33
2010	42914.31	33678.85	32441.72	10472.59	1904.42	1237.13	505.98
2011	43277.86	32425.81	24938.68	18339.18	7866.59	7487.13	6250.00
Mean	34395.88	26820.16	24014.54	10381.34		2805.62	
Growth Rate (%)	106.28	93.44	73.95	176.07		208.72	
S.D.	9744.64	7181.34	7073.02	4659.31		2704.53	
C.V (%)	28.33	26.78	29.45	44.88		96.40	

Source: Annual Reports of BHEL Ltd.

It is evident from Table 2 that current assets of BHEL Ltd. increased from Rs. 20979.96 crore in 2007 to Rs. 43277.86 crore in 2011. On average, the company had current assets of Rs. 34395.88 crore with a growth rate of 106.28%. The standard deviation of current assets was Rs. 9744.64 crore and the coefficient of variation was 28.33%, which shows an excellent growth of current assets during the period of the study.

Liquid assets also increased from Rs. 16762.29 crore in 2007 to Rs. 32425.81 crore in 2011 with an average of Rs. 26820.16 crore. The growth rate of liquid assets was 93.44% showing a sufficient liquidity position during the period of the study. The standard deviation was Rs. 7181.34 crore and the coefficient of variation was 26.78%, which shows high variability in liquid assets during the period under reference.

Current liabilities increased with a growth of 73.95% during the study period from Rs. 14337.09 crore in 2007 to Rs. 24938.68 crore in 2011. The overall average was Rs. 24014.54 crore and the coefficient of variation was 29.45%, which is more than the growth of current assets and liquid assets evidencing more flexibility in current liabilities during the study period.

Of the several measures, net working capital (NWC) itself provides the one, which indicates a 'margin of safety' or cushion of protection provided for creditors. Such a margin or cushion of protection provided by the company is exhibited in table 2. The table shows that the company had positive net working capital throughout the period of the study. The greater the amount of net working capital, the greater is the liquidity of the firm. NWC increased from Rs. 6642.87 crore in 2007 to Rs. 18339.18 crore in 2011; on average it was Rs. 10381.34 crore.

The net working capital of BHEL Ltd. shows an increasing trend. It increased from Rs. 6642.87 crore in 2007 to Rs. 18339.18 crore in 2011. NWC registered a growth of 176.07%, which evidences that the working capital increased more than the current assets and liabilities. The standard deviation of net working capital is Rs. 4659.31 crore and the coefficient of variation was 44.88%, which is more than the coefficient of variation of current assets and liabilities and very high also, which shows that the liquidity position of the company is variable and also good during the period of the study.

With a view to indicating whether or not there was growth in NWC, a growth index, as exhibited in Table 2, has been prepared. The Table reveals that there was a growth in net working capital during the period of the study.

In fact, the measure of net working capital does not indicate the true ability to pay current debts when they become due. Net working capital being the excess of current assets over current liabilities and since these current assets comprise illiquid inventory, the measure of 'quick net working capital' (QNWC), i.e., quick/ liquid assets less current liabilities, has been adopted as more relevant than the measure of NWC. Quick assets refer to current assets less inventory. The QNWC figures computed for the company are presented in Table 2, which clearly shows that the selected company had a positive 'margin of safety' or 'cushion' of protection provided for the creditors from quick/ liquid assets throughout the period of the study. The quick net working capital of BHEL Ltd. also does not show any definite trend of rise and fall. On average, the company had positive QNWC. Hence, the measure of QNWC evidences the capability of the company to pay current debts in all the years of the study.

**Table 3: Liquidity Position of Siemens Ltd.**

Year	Current Assets	Liquid Assets	Current Liabilities	Working Capital (net)	Change in net working capital	Working Capital (Quick)	Change in Quick working capital
2007	4098.72	3349.66	3558.25	540.46	-	-208.59	-
2008	5739.25	4977.14	4927.96	811.30	270.84	49.18	257.77
2009	6921.17	5948.98	5328.05	1593.12	781.83	620.93	571.74
2010	7928.26	7245.97	5950.51	1977.75	384.63	1295.46	674.54
2011	8550.50	7742.66	6341.49	2209.01	231.26	1401.17	105.71
Mean	6647.58	5852.88	5221.25	1426.33		631.63	
Growth Rate (%)	108.61	131.15	78.22	308.73		-771.74	
S.D.	1778.89	1771.60	1078.16	725.86		720.80	
C.V (%)	26.76	30.27	20.65	50.89		114.12	

Source: Annual Reports of Siemens Ltd.

It is evident from Table 3 that current assets of Siemens Ltd. increased from Rs. 4098.72 crore in 2007 to Rs. 8550.50 crore in 2011. On average, the company had current assets of Rs. 6647.58 crore with a growth rate of 108.61%. The standard deviation of current assets was Rs. 1778.89 crore and the coefficient of variation was 26.76%, which shows an excellent growth of current assets during the period of the study.

Liquid assets also increased from Rs. 3349.66 crore in 2007 to Rs. 7742.66 crore in 2011 with an average of Rs. 5852.88 crore. The growth rate of liquid assets was 131.15% showing a sufficient liquidity position during the period of the study. The standard deviation was Rs. 1771.60 crore and the coefficient of variation was 30.27%, which shows high variability in liquid assets during the period under reference.

Current liabilities increased with a growth of 78.22% during the study period from Rs. 3558.25 crore in 2007 to Rs. 6341.49 crore in 2011. The overall average was Rs. 5221.25 crore and the coefficient of variation was 20.65%, which is less than the growth of current assets and liquid assets evidencing less flexibility in current liabilities during the study period.

Of the several measures, net working capital (NWC) itself provides the one, which indicates a 'margin of safety' or cushion of protection provided for creditors. Such a margin or cushion of protection provided by the company is exhibited in table 3. The table shows that the company had positive net working capital throughout the period of the study. The greater the amount of net working capital, the greater is the liquidity of the firm. NWC increased from Rs. 540.46 crore in 2007 to Rs. 2209.01 crore in 2011; on average it was Rs. 1426.33 crore.

The net working capital of Siemens Ltd. shows an increasing trend. It increased from Rs. 540.46 crore in 2007 to Rs. 2209.01 crore in 2011. NWC registered a growth of 308.73%, which evidences that the working capital increased more than the current assets and liabilities. The standard deviation of net working capital is Rs. 725.86 crore and the coefficient of variation was 50.89%, which is more than the coefficient of variation of current assets and liabilities and very high also, which shows that the liquidity position of the company is variable and also good during the period of the study.

With a view to indicating whether or not there was growth in NWC, a growth index, as exhibited in Table 3, has been prepared. The Table reveals that there was a growth in net working capital during the period of the study.

In fact, the measure of net working capital does not indicate the true ability to pay current debts when they become due. Net working capital being the excess of current assets over current liabilities and since these current assets comprise illiquid inventory, the measure of 'quick net working capital' (QNWC), i.e., quick/ liquid assets less current liabilities, has been adopted as more relevant than the measure of NWC. Quick assets refer to current assets less inventory. The QNWC figures computed for the company are presented in Table 3, which clearly shows that the selected company does not have a 'margin of safety' or 'cushion' of protection provided for the creditors from quick/ liquid assets in the year 2007 after that the company had shown a good performance. The quick net working capital of Siemens Ltd. shows a increasing trend. On average, the company had positive QNWC. Hence, the measure of QNWC evidences the capability of the company to pay current debts in all the years of the study.

**Table 4: Liquidity Position of Suzlon Energy Ltd.**

Year	Current Assets	Liquid Assets	Current Liabilities	Working Capital (net)	Change in net working capital	Working Capital (Quick)	Change in Quick working capital
2007	4994.61	3619.36	1501.98	3492.63	-	2117.38	-
2008	6954.47	5471.24	2582.05	4372.42	879.79	2889.19	771.81
2009	9039.91	7656.29	3766.04	5273.87	901.45	3890.25	1001.06
2010	8438.23	7640.43	3886.23	4552.00	-721.87	3754.20	-136.05
2011	8668.30	7653.35	3998.52	4669.78	117.78	3654.83	-99.37
Mean	7619.10	6408.13	3146.96	4472.14		3261.17	
Growth Rate (%)	73.55	111.46	166.22	33.70		72.61	
S.D.	1667.35	1822.23	1081.67	643.74		748.40	
C.V (%)	21.88	28.44	34.37	14.39		22.95	

Source: Annual Reports of Suzlon Energy Ltd.

It is evident from Table 4 that current assets of Suzlon Energy Ltd. increased from Rs. 4994.61 crore in 2007 to Rs. 8668.30 crore in 2011. On average, the company had current assets of Rs. 7619.10 crore with a growth rate of 73.55 %. The standard deviation of current assets was Rs. 1667.35 Crore and the coefficient of variation was 21.88%, which shows an excellent growth of current assets during the period of the study.

Liquid assets also increased from Rs. 3619.36 crore in 2007 to Rs. 6408.13 crore in 2011 with an average of Rs. 6408.13 crore. The growth rate of liquid assets was 111.46% showing a sufficient liquidity position during the period of the study. The standard deviation was Rs. 1822.23 crore and the coefficient of variation was 28.44%, which shows high variability in liquid assets during the period under reference.

Current liabilities increased with a growth of 166.22% during the study period from Rs. 1501.98 crore in 2007 to Rs. 3998.52 crore in 2011. The overall average was Rs. 3146.96 crore and the coefficient of variation was 34.37%, which is more than the growth of current assets and liquid assets evidencing more flexibility in current liabilities during the study period.

Of the several measures, net working capital (NWC) itself provides the one, which indicates a 'margin of safety' or cushion of protection provided for creditors. Such a margin or cushion of protection provided by the company is exhibited in table 4. The table shows that the company had positive net working capital throughout the period of the study. The greater the amount of net working capital, the greater is the liquidity of the firm. NWC increased from Rs. 3492.63 crore in 2007 to Rs. 4669.78 crore in 2011; on average it was Rs. 4472.14 crore.

The net working capital of Suzlon Energy Ltd. does not show any definite trend. It varied from Rs. 3492.63 crore in 2007 to Rs. 5273.87 crore in 2009. NWC registered a growth of 33.70%, which evidences that the working capital increased less than the current assets and liabilities. The standard deviation of net working capital is Rs. 643.74 crore and the coefficient of variation was 14.39%, which is less than the coefficient of variation of current assets and liabilities, which shows that the liquidity position of the company is less variable during the period of the study.

With a view to indicating whether or not there was growth in NWC, a growth index, as exhibited in Table 4, has been prepared. The Table reveals that there was a growth in net working capital during the period of the study.

In fact, the measure of net working capital does not indicate the true ability to pay current debts when they become due. Net working capital being the excess of current assets over current liabilities and since these current assets comprise illiquid inventory, the measure of 'quick net working capital' (QNWC), i.e., quick/ liquid assets less current liabilities, has been adopted as more relevant than the measure of NWC. Quick assets refer to current assets less inventory. The QNWC figures computed for the company are presented in Table 4, which clearly shows that the selected company does have a 'margin of safety' or 'cushion' of protection provided for the creditors from quick/ liquid assets throughout the period of the study. The quick net working capital of Suzlon Energy Ltd. does not show a definite trend. In the year 2010 and 2011 the company had negative QNWC. Hence, the measure of QNWC evidences the incapability of the company to pay current debts in all the years of the study.

**Table 5: Components of Working Capital of ABB Ltd.**

PARTICULARS	YEARS				
	2010-11	2009-10	2008-09	2007-08	2006-07
<b>CURRENT ASSETS</b>					
INVENTORIES	925.55 (18.66%)	697.85 (14.17%)	729.41 (15.36%)	642.65 (13.67%)	488.71 (11.89%)
SUNDRY DEBTORS	3082.51 (62.15%)	2925.97 (59.40%)	2857.73 (60.17%)	2975.89 (63.32%)	2423.56 (58.96%)
CASH & BANK BALANCES	264.37 (5.33%)	587.13 (11.92%)	524.14 (11.04%)	348.23 (7.41%)	642.86 (15.64%)
OTHER CURRENT ASSETS	320.96 (6.47%)	361.12 (7.33%)	320.3 (6.74%)	381.29 (8.11%)	275.36 (6.70%)
LOANS & ADVANCES	366.67 (7.39%)	354.16 (7.19%)	317.69 (6.69%)	351.77 (7.48%)	280.2 (6.82%)
<b>GROSS WORKING CAPITAL</b>	<b>4960.06</b> <b>(100%)</b>	<b>4926.23</b> <b>(100%)</b>	<b>4749.27</b> <b>(100%)</b>	<b>4699.83</b> <b>(100%)</b>	<b>4110.69</b> <b>(100%)</b>

Source: Annual Reports of ABB Limited

The components or compositions of gross working capital in percentage form have been prepared and presented in table 5 for ABB Ltd. to examine in which component the gross working capital funds are locked up and to find out the factors responsible for significant changes in the working capital of different years. It can be observed that the working capital consisted of inventory, sundry debtors, cash & bank balances, other current assets and loans and advances.

Out of the five components of working capital, the component, namely, sundry debtors contributed highest to the working capital. It varied from 58.96% in 2007 to 63.32% in 2008 fluctuating one year to another, in the year 2011 it again increased to 62.15% which evidences that the working capital blocked up due to increases in debtors. This may also indicate a liberal credit policy with chances of bad debts and collection charges. Inventory occupied the second position in the gross working capital; it shows an increasing trend from 11.89% in 2007 to 18.66% in 2011 except the year 2010 in which it declined. The third rank goes to cash & bank balances whose share in gross working capital shows a fluctuating trend it reduces from 15.64% in 2007 to 5.33% in 2011. Loans & advances and other current assets contributed almost the same to gross working capital and shows a fluctuating trend it varied from 6.82% to 7.39% in 2011 its maximum contribution was in 2007 with 7.48% and other current assets contribution was 6.7% in 2007, in 2008 it increased to highest of 8.11% and it was lowest to 6.47% in 2011.

**Table 6: Components of Working Capital of BHEL Ltd.**

PARTICULARS	YEARS				
	2010-11	2009-10	2008-09	2007-08	2006-07
<b>CURRENT ASSETS</b>					
INVENTORIES	10963.03 (21.29%)	9235.46 (21.51%)	7837.02 (21.24%)	5736.4 (20.71%)	4217.67 (20.10%)
SUNDRY DEBTORS	27354.62 (53.12%)	20688.75 (48.19%)	15975.5 (43.29%)	11974.87 (43.22%)	9612.81 (45.82%)
CASH & BANK BALANCES	9630.15 (18.70%)	9790.08 (22.80%)	10314.67 (27.95%)	8386.02 (30.27%)	5808.91 (27.69%)
OTHER CURRENT ASSETS	309.63 (0.60%)	406.85 (0.95%)	350.21 (0.95%)	421.09 (1.52%)	199.7 (0.95%)
LOANS & ADVANCES	3237.31 (6.29%)	2813.67 (6.55%)	2423.67 (6.57%)	1186.34 (4.28%)	1140.87 (5.44%)
<b>GROSS WORKING CAPITAL</b>	<b>51494.74</b> <b>(100%)</b>	<b>42934.81</b> <b>(100%)</b>	<b>36901.07</b> <b>(100%)</b>	<b>27704.72</b> <b>(100%)</b>	<b>20979.96</b> <b>(100%)</b>

Source: Annual Reports of BHEL Ltd.

The components or compositions of gross working capital in percentage form have been prepared and presented in table 6 for BHEL Ltd. to examine in which component the gross working capital funds are locked up and to find out the factors responsible for significant changes in the working capital of different years. It can be observed that the working capital consisted of inventory, sundry debtors, cash & bank balances, other current assets and loans and advances.

Out of the five components of working capital, the component, namely, sundry debtors contributed highest to the working capital. It was on increase almost every year except the year 2008 in which it declined otherwise it increased from 45.82% in 2007 to 53.12% in 2011, which evidences that the working capital blocked up due to increases in debtors. This may also indicate a liberal credit policy with chances of bad debts and collection charges. Inventory occupied the second position in the gross working capital, contributes the same almost every year with slight variation at decimal places. It was 20.10% in 2007 and 21.29% in 2011. The third rank goes to cash & bank balances whose share in gross working capital reduces from 30.27% in 2008 to 18.7% in 2011. Loans & advances also do not show any definite trend it varied from 5.44% in 2007 to 6.29% in 2011; it was lowest with 4.28% contribution in 2008 to and 6.57% in 2009. The contribution of other current assets is around 1% every year.

**Table 7: Components of Working Capital of Siemens Ltd.**

PARTICULARS	YEARS				
	2010-11	2009-10	2008-09	2007-08	2006-07
<b>CURRENT ASSETS</b>					
INVENTORIES	807.83 (9.45%)	1533.52 (19.3%)	972.2 (14.05%)	762.11 (13.31%)	749.05 (18.28%)
SUNDRY DEBTORS	4173.33 (48.81%)	3302.34 (41.62%)	3458.31 (49.97%)	3432.8 (59.96%)	2224.28 (54.27%)
CASH & BANK BALANCES	1275.04 (14.91%)	1853.44 (23.36%)	1444.9 (20.88%)	913.09 (15.95%)	463.62 (11.31%)
LOANS & ADVANCES	1406 (16.44%)	1244.9 (15.69%)	1045.76 (15.11%)	617.32 (10.78%)	661.76 (16.15%)
OTHER CURRENT ASSETS	888.29 (10.39%)				
<b>GROSS WORKING CAPITAL</b>	<b>8550.5</b> <b>100%</b>	<b>7934.21</b> <b>100%</b>	<b>6921.17</b> <b>100%</b>	<b>5725.32</b> <b>100%</b>	<b>4098.72</b> <b>100%</b>

Source: Annual Reports of Siemens Ltd

The components or compositions of gross working capital in percentage form have been prepared and presented in table 7 for Siemens Ltd. to examine in which component the gross working capital funds are locked up and to find out the factors responsible for significant changes in the working capital of different years. It can be observed that the working capital consisted of inventory, sundry debtors, cash & bank balances, other current assets and loans and advances.

Out of the five components of working capital, the component, namely, sundry debtors contributed highest to the working capital. It does not show any definite trend it varied from 54.27% in 2007 to 48.81% in 2011; it was highest 59.96% contribution in 2008 and lowest 41.62% contribution in 2010 which evidences that the working capital blocked up due to increases in debtors. This may also indicate a liberal credit policy with chances of bad debts and collection charges. Inventory also does not show any definite trend, it declined from 18.28% in 2007 to 9.45% in 2011 it was highest 19.3% in 2010. Cash & bank balances show an increasing trend except the year 2011 in which it falls. It increases from 11.31% in 2007 to 23.36% in 2010. It declined in 2011 to

14.91%. Loans & advances also do not show any definite trend it varied from 16.15% in 2007 to 16.44% in 2011; its contribution was lowest 10.78% in 2008 and highest 16.44% in 2011. The contribution of other current assets was 10.39% in 2011.

**Table 8: Components of Working Capital of Suzlon Energy Ltd.**

PARTICULARS	YEARS				
	2010-11	2009-10	2008-09	2007-08	2006-07
<b>CURRENT ASSETS</b>					
INVENTORIES	1,014.95 (11.71%)	797.8 (9.45%)	1,383.62 (15.31%)	1,483.23 (21.33%)	1,375.25 (27.53%)
SUNDRY DEBTORS	2283.90 (26.35%)	2,986.81 (35.40%)	4,745.14 (52.49%)	3,306.59 (47.55%)	1,970.78 (39.46%)
CASH & BANK BALANCES	431.06 (4.97%)	599.22 (7.10%)	212.4 (2.35%)	875.5 (12.59%)	351.39 (7.04%)
LOANS & ADVANCES	4,938.39 (56.97%)	4,054.40 (48.05%)	2,698.75 (29.85%)	1,289.15 (18.54%)	1,297.19 (25.97%)
<b>GROSS WORKING CAPITAL</b>	<b>8,668.30</b> <b>100%</b>	<b>8,438.23</b> <b>100%</b>	<b>9,039.91</b> <b>100%</b>	<b>6,954.47</b> <b>100%</b>	<b>4,994.61</b> <b>100%</b>

Source: Annual Reports of Suzlon Energy Ltd.

The components or compositions of gross working capital in percentage form have been prepared and presented in table 8 for Suzlon Energy Ltd. to examine in which component the gross working capital funds are locked up and to find out the factors responsible for significant changes in the working capital of different years. It can be observed that the working capital consisted of inventory, sundry debtors, cash & bank balances, other current assets and loans and advances.

Out of the five components of working capital, the component, namely, Loans & Advances contributed highest to the working capital. It does not show any definite trend it varied from 18.54% in 2008 to 56.87% in 2011, in 2007 it was 25.97% which evidences that the working capital blocked up due to increases in loans & Advances. Inventory also does not show any definite trend, it declined from 27.53 % in 2007 to 9.45% in 2010, in 2011 it again raised to 11.71%. Sundry debtors also do not show any definite trend it had significantly declined to 26.35% in 2011 from 39.46% in 2007; it was highest with 52.49% in 2009 and lowest with 35.4% in 2010. Cash & bank balances also do not show any definite trend it was highest with 12.59% in 2008 and with a lowest percentage of 2.35% in 2009. It fluctuates from 7.04% in 2007 to 4.97% in 2011.

The problem with the above measures is that they do not show the extent of margin of safety provided for current creditors. Due to this, the ratio and other similar measures are regarded as better than these measures. Hence, Liquidity position of the companies is ascertained on the basis of three ratios has been calculated that are current ratio, liquid ratio and super quick ratio

Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Current Liabilities

Quick Ratio =  $\frac{\text{Current Assets} - (\text{Stock} + \text{Prepaid Expenses})}{\text{Current Liabilities}}$

Current Liabilities

Super Quick ratio =  $\frac{\text{Current Assets} - (\text{Debtors} + \text{Stock} + \text{Prepaid Expenses})}{\text{Current Liabilities}}$

Current Liabilities

**Table 9: Current Ratio of Companies listed in Nifty 50 under electrical equipment industry**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010-11	2009-10	2008-09	2007-08	2006-07			
1	ABB	1.32	1.47	1.52	1.41	1.37	1.42	0.06	4.56
2	BHEL	1.74	1.32	1.30	1.39	1.46	1.44	0.15	10.08
3	SIEMENS	1.35	1.33	1.30	1.16	1.15	1.26	0.08	6.22
4	SUZLON	2.17	2.17	2.40	2.69	3.33	2.55	0.40	15.50

Source: Annual Reports of Nifty 50 Manufacturing Companies

In table 9 the analysis of every company listed in Nifty 50 under Electrical Equipment Industry is been done on the basis of current ratio. The higher the ratio the better is the liquidity position of the company but on the other hand stability is also important like in the table 9 the maximum average of current ratio was of Suzlon Energy Ltd. and its coefficient of variation is also highest which indicates that there was higher flexibility in the liquidity position of the company. The coefficient of variation of ABB Ltd. is less which indicates better stability in the liquidity position of the company after that come Siemens Ltd. The coefficient of variation of BHEL Ltd. is also high with 10.08%.

**Table 10: Quick Ratio of Companies listed in Nifty 50 under electrical equipment industry**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010-11	2009-10	2008-09	2007-08	2006-07			
1	ABB	1.08	1.26	1.28	1.22	1.21	1.21	0.06	5.27
2	BHEL	1.30	1.04	1.03	1.11	1.17	1.13	0.09	8.00
3	SIEMENS	1.22	1.22	1.12	1.01	0.94	1.10	0.10	9.29
4	SUZLON	1.91	1.97	2.03	2.12	2.41	2.09	0.16	7.66

Source: Annual Reports of Nifty 50 Manufacturing Companies

The analysis on the basis of Liquidity ratio that is current assets minus stock and prepaid expenses divided by current liabilities minus bank overdraft is done and all the companies are above the standard ratio of 1:1. Suzlon Energy Ltd. is showing highest liquidity with an average of 2.09. According to coefficient of variation ABB Ltd. is showing lesser flexibility in liquidity position and Siemens Ltd. is showing the highest with 9.29%. The coefficient of variation of BHEL Ltd. and Suzlon Energy Ltd. was also high.

**Table 11: Super Quick Ratio of Companies listed in Nifty 50 under electrical equipment industry**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010-11	2009-10	2008-09	2007-08	2006-07			
1	ABB	0.25	0.39	0.37	0.33	0.40	0.35	0.05	14.31
2	BHEL	0.49	0.40	0.46	0.51	0.50	0.47	0.04	7.68
3	SIEMENS	0.56	0.66	0.47	0.31	0.32	0.46	0.12	26.70
4	SUZLON	1.32	1.20	0.77	0.84	1.10	1.05	0.19	18.32

Source: Annual Reports of Nifty 50 Manufacturing Companies

The analysis on the basis of Super Quick Ratio is been done in table 11 which indicates extreme liquidity position of the company. According to table 11 the average of Suzlon Energy Ltd. shows maximum liquidity strength with 1.05. The highest variability in liquidity position was of Siemens Ltd with 26.7% the second position of Suzlon Energy Ltd after that ABB Ltd. The coefficient of variation of BHEL Ltd was lowest with 7.68 % which indicates consistency in liquidity position.

### Motaal's Comprehensive Test of Liquidity

Motaal prescribes a comprehensive test for determining the soundness of a firm as regards liquidity position. According to him, a process of ranking is used to arrive at a more comprehensive measure of liquidity in which the following three ratios are combined in a point score:

i) Working Capital (WC) to Current Asset Ratio = 
$$\frac{(\text{Current Assets} - \text{Current Liabilities})}{\text{Current Assets}} \times 100$$

ii) Stock to Current Asset Ratio in percentage = 
$$\frac{\text{Average Stock}}{\text{Current Assets}} \times 100$$

iii) Liquid Resources (LR) to Current Asset Ratio in percentage = 
$$\frac{\text{Liquid Resources}}{\text{Current Assets}} \times 100$$

The higher the value of both working capital to current asset ratio and liquid resources to current asset ratio, relatively the more favourable will be the liquidity position of a firm and vice-versa. On the other hand, lower the value of stock to current assets ratio, relatively the more favourable will be the liquidity position of the firm. The ranking of the above three ratios of a firm over a period of time is done in their order of preferences. Finally, the ultimate ranking is done on the basis of the principle that the lower the points score, the more favorable will be the liquidity position and vice-versa.

The computation of ratios is been done as under in the table no. 12 to 14

**Table 12 : Working Capital to Current Assets Ratio (%) of Nifty 50 Electrical Equipment Companies**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010.11	2009-10	2008-09	2007-08	2006-07			
1	ABB	24.38	32.04	34.05	29.33	27.04	29.37	3.15	10.71
2	BHEL	42.38	24.40	23.22	28.25	31.66	29.98	6.28	20.94
3	SIEMENS	25.83	24.95	23.02	14.14	13.19	20.23	4.97	24.56
4	SUZLON	53.87	53.94	58.34	62.87	69.93	59.79	5.53	9.25

Source: Annual Reports of Nifty 50 Manufacturing Companies

**Table 13: Stock to Current Assets Ratio (%) of Nifty 50 Electrical Equipment Companies**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010.11	2009-10	2008-09	2007-08	2006-07			
1	ABB	18.66	14.17	15.36	13.67	11.89	14.75	2.06	13.93
2	BHEL	25.08	21.52	21.24	20.56	20.10	21.70	1.61	7.41
3	SIEMENS	9.45	8.61	14.05	13.28	18.28	12.73	3.18	24.95
4	SUZLON	11.71	9.45	15.31	21.33	27.53	17.07	6.02	35.28

Source: Annual Reports of Nifty 50 Manufacturing Companies

**Table 14: Liquid Resources to Current Assets Ratio (%) of Nifty 50 Electrical Equipment Companies**

Sr. No.	Company	Year					Mean	S.D.	C.V.
		2010.11	2009-10	2008-09	2007-08	2006-07			
1	ABB	81.34	85.83	84.64	86.33	88.11	85.25	2.06	2.41
2	BHEL	74.92	78.48	78.76	79.44	79.90	78.30	1.61	2.05
3	SIEMENS	90.55	91.39	85.95	86.72	81.72	87.27	3.18	3.64
4	SUZLON	79.27	64.01	82.22	86.11	84.76	79.27	7.29	9.19

Source: Annual Reports of Nifty 50 Manufacturing Companies

**Table 15: Motaal's Comprehensive Test of Liquidity of Nifty 50 Electrical Equipment Companies (2006-07 to 2010-11 )**

Sr. No.	Company	WC to CA Ratio (%)	Rank	Stock to CA Ratio (%)	Rank	LR to CA Ratio (%)	Rank	Total Rank	Ultimate Rank
1	ABB	29.37	2	14.75	2	85.25	3	7	2
2	BHEL	29.98	3	21.70	4	78.30	1	8	3
3	SIEMENS	20.23	1	12.73	1	87.27	4	6	1
4	SUZLON ENERGY	59.79	4	17.07	3	79.27	2	9	4

The above table 15 is computed from the averages of the above constructed tables from 12 to 14 to provide ranking. On the basis of Motaal's ultimate rank test of Liquidity Siemens Ltd. is awarded I rank which indicates favorable liquidity position. II rank goes to ABB Ltd. III rank goes to BHEL Ltd and the last rank goes to Suzlon Energy Ltd which indicates towards less favorable liquidity position.

## 7. FINDINGS

The findings of the data analysed is summarized company wise as under:

### 7.1. ABB Ltd.

1. The current assets, liquid assets, current liabilities, net working capital shows a positive growth rate but the growth rate of quick net working capital is in negative which indicates that the absolute liquidity position of the company was not safe.
2. The major component of current assets was Sundry Debtors and Inventories which indicates that the major portion of liquid funds is blocked in these two whose convertibility into cash is considered to be low.
3. Current ratio of the company indicates towards consistency in liquidity position of the company.
4. Quick ratio also indicates towards consistency in liquidity position.
5. Super Quick ratio indicates a little poor performance of the company.

### 7.2. BHEL Ltd.

1. The current assets, liquid assets, current liabilities, net working capital and quick net working capital shows a positive growth rate which indicates that the liquidity position of the company was safe during the period of study.
2. The major component of current assets was Sundry Debtors and Inventories which indicates that the major portion of liquid funds is blocked in these two whose convertibility into cash is considered to be low.
3. Current ratio of the company indicates towards variability in liquidity position of the company as its coefficient of variation is second highest.
4. Quick ratio also indicates towards inconsistency in liquidity position.
5. The absolute liquidity position of the company on the basis of super quick ratio is strong.

### **7.3. SIEMENS Ltd.**

1. The current assets, liquid assets, current liabilities, net working capital shows a positive growth rate but the growth rate of quick net working capital is in negative which indicates that the absolute liquidity position of the company was not safe.
2. The major component of current assets was Sundry Debtors and Inventories which indicates that the major portion of liquid funds is blocked in these two whose convertibility into cash is considered to be low.
3. Current ratio of the company indicates towards consistency in liquidity position of the company.
4. Quick ratio of the company shows greater flexibility as its coefficient of variation was highest.
5. Super Quick ratio of the company shows greater flexibility as its coefficient of variation was highest.

### **7.4. Suzlon Energy Ltd.**

1. The current assets, liquid assets, current liabilities, net working capital and quick net working capital shows a positive growth rate which indicates that the liquidity position of the company was safe during the period of study.
2. The major component of current assets was Loans & Advances and Sundry Debtors in which liquid funds of the company is tied.
3. The current ratio of the company indicates greater flexibility as its coefficient of variation is highest.
4. Quick ratio of the company indicates consistency in liquidity position of the company.
5. Super quick ratio of the company indicates greater flexibility in liquidity position of the company.

## **8. CONCLUSION**

The current assets, liquid assets, current liabilities, net working capital and quick net working capital of BHEL and Suzlon Energy Ltd. shows a positive growth rate which indicates that the liquidity position of the company was safe during the period of study except ABB Ltd. and Siemens Ltd whose quick net working capital growth rate is negative which indicates towards unsound liquidity position. The major components of current assets of all the companies are Inventories and Sundry debtors except Suzlon Energy Ltd. whose major component is loans and advances. The maximum average of current ratio was of Suzlon Energy Ltd. but its coefficient of variation is also highest which indicates that there was higher flexibility in the liquidity position of the company. The coefficient of variation of ABB Ltd. is less which indicates better stability in the liquidity position of the company after that comes Siemens Ltd. According to liquid ratio Suzlon Energy Ltd. is showing highest liquidity. According to coefficient of variation ABB Ltd. is showing lesser flexibility in liquidity position and Siemens Ltd. is showing the highest. The coefficient of variation of BHEL Ltd. and Suzlon Energy Ltd. was also high. According to super Quick ratio the average of Suzlon Energy Ltd. shows maximum liquidity strength. The highest variability in liquidity position was of Siemens Ltd with 26.7% the second position of Suzlon Energy Ltd after that ABB ltd. The coefficient of variation of BHEL Ltd was lowest which indicates consistency in liquidity position.

As different parameters to analyse liquidity provides varied results hence, Motaal's Ultimate rank test has been applied to come to a more concrete result. On the basis of Motaal's ultimate rank test Siemens Ltd. is provided I<sup>st</sup> rank, The II<sup>nd</sup> rank is awarded to ABB Ltd and III<sup>rd</sup> to BHEL Ltd. and the last one is to Suzlon Energy Ltd.

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## Cost Benefit Analysis of the Recycling Process with Regard of the Environmental Protection and Financial Benefits for Organizations

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### Abstract

Organizations that have implemented the system for environmental protection according to international standard ISO 14001, on the one hand reduce the harmful impact on the environment or the same amount to within an acceptable, while other organizations are facing a real problem for the effective monitoring of impact on the environment. The purpose of this paper is to show how that can directly increase the efficiency of system implemented through a recycling process that greatly reduces the amount of drawback, but also brings financial benefits to organizations. Recycling process introduced by the beginning of the implemented system for environmental protection increases the efficiency of the same, reduces waste, increases profits and reduces the direct impact of the industrial system on the environment.

**Keywords:** environmental protection, ISO 14001, recycling, cost benefit analysis

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## **1. INTRODUCTION**

The dynamics of market changes is a variable that is changing constantly. Technological development and short lifecycle of the products produce large amounts of waste. Waste in any form and shape, affects negatively on the environment. That is the reason why most organizations apply technologies and processes combined with international standards for environmental protection ISO 14001, significantly reduced the amount of waste on one hand, and bring enormous financial benefits to organizations on the other hand.

Undoubtedly financial gain is one of the key priorities of the organizational operations of each business entity, regardless of size, organizational structure and activity. However the financial result is closely connected with the production and formation of waste. Most organizations are not sufficiently aware of the size of waste that they are producing, negative environmental impact and economic losses they suffered during the manufacturing process. Only an effective management system elements that affect the environment can at the same time significantly reduce the amount of waste and bring financial benefit to the organization through the application of closed cycle recycling, where the waste is converted into useful input that brings financial benefit.

## **2. REVIEWING THE RECYCLING PROCESS**

When the organizational performance is reviewed in terms of environmental protection, many organizations apply the model of reducing waste through an active system for financial gain. In this direction the process of recycling completely meets the defined program to reduce pollution and increase the financial benefit.

The concept of recycling is based on the new generally accepted methods that reduce energy use in the production process, reduce production of harmful by-products and reduce the amount of waste produced during the manufacturing process. Indeed waste that is output from a process using this methodology is a useful input to another process. The purpose of this methodology is primarily to satisfy human needs without endangering and damaging impact on the environment. In fact so-called "Clean production" is a preventive approach whose main purpose is to prevent or reduce the quantity of waste and inefficient use of energy and resources in business input would be a financial loss. In order to achieve this strategic goal the organizations we have to change the organizational mode of action and adopt new technologies and techniques. Basically the process of recycling can be defined as a process that is completely directed towards:

- Reduce the amount of waste produced
- Utilization of waste into more production cycles
- Efficient use of energy resources
- Reduce the amount of waste, reduced prices of final product and increase of the profit.

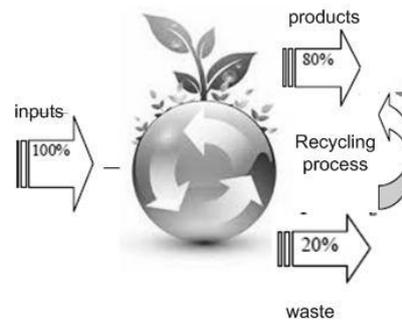
Recycling process is applicable to a range of waste ranging from plastic, cardboard, paper, metal, etc. However in terms of financial benefit and cost effectiveness, the usage of the waste is one of the critical processes. The amount of garbage in Republic Macedonia is enormous, but despite the efforts of local utilities and other private businesses, accurate records and systematic approach to dealing with this waste does not exist. Although efforts to recycle and economic benefit from this garbage in recent years are remarkable higher level, still requires further efforts in this direction. If we consider management system and waste, whose amount is increasing daily due to the

irreversible PET bottles, cans or glass, we can freely say that there is lack of effective management system in this direction. In addition is given figurative display of the estimated amount of packing waste.

**Table 1. Waste produced per year**

Waste type	Tones produced per year
Glass	90.000
PET plastics	88.000
Paper	115.000
Composites	17.300
Aluminums	5.200
Other	19.000
Total	334.500

Analyzing the tabular data, we can freely say that the amount of plastic is increasing, which inevitably leads to the conclusion that PET waste is the most used waste in recycling. Certainly the financial indicators are in favor of this conclusion, namely the production process of PET bottles 80% of a product, while 20% waste.



**Figure 1: Recycling cycle.**

The process of recycling of PET bottles can be divided into two main processes:

- Waste collection, sorting, baling and selling the balled waste
- Processing the level of PET granules

Processing of PET waste includes the following phases:

- Un balling the balled waste
- Sorting by type and colour
- Grinding with water mill
- Process of purification of PET packaging with water and detergent
- Additional drying
- Heat treatment to PET granulate

Since the process of processing is high expensive process, unlike the first one which is far simpler process that does not require large financial investments. In addition it's shown the survey in this direction.

### 3. COST-BENEFIT ANALYSIS

Many of the organizations that use the baling process have set their own containers to carry out refuse collection. After the collection is accessed the process of selection by type and color, and then approaches the baling and selling well-designed bolts.

In order to make cost-benefit analysis there is tabular presentation of basic parameters in urban area with 100,000 people, which was the target of research.

**Table 2:** Parameters considered in the research.

Parameters	Basic information
Weight of single bottle from 1500 ml	50 grams
Container parameters	1,5 m <sup>3</sup> /20 kg
Daily consumption	1 bottle / 50 g on daily base per inhabitant

Daily statistics show that in the region of 100,000 inhabitants on a daily basis, they generate 100,000 bottles or 5,000 kg waste. If we consider that a container for collecting waste has a capacity of 20kg the total amount can fill 250 containers. Certainly these are ideal numbers. Field data show that the optimal conditions the amount of waste is about 60% or 3,000 kg on a daily basis.

On the other hand if we consider statistical data on the recycling of waste in Italy as a country that is far advanced from Macedonia, where recycling is brought to a level 80% of total waste, then the data in Macedonia might easily be reduced pessimistic, or 40% recycling, which would mean a net weight 2000 kg per day. This data information's are taken into account in cost-benefit analysis. In terms of economic viability taken into consideration and purchase price of balled waste, respectively separated by type and color that varies from 110 to 240 euro/1000 kg depending on the type and color. Given that the analysis was accessed with pessimistic variant in the calculation and taken into account the minimum purchase price of 110 euro's per 1000 kg or 0.11 euro's per kilogram.

In addition to the analysis, it's given data for profit organizations area of 100,000 citizens reviewed the pessimistic variant.

**Table 3. Profit information**

	Calculation	Profit in Euros
Daily	2000 kg X 0.11 euro/kg	220
Monthly	2000 kg X 0.11 euro/kg X 30	6600
Year	2000 kg X 0.11 euro/kg X 365	79200

Taking in consideration that PET packaging is increasingly used, and the process of recycling is increasingly being exploited in future profit in organizations will grow. Still have to conclude that the total profits must be reinvested in containers to new locations that produce increased amounts of recycled waste, which directly affects the reduction of total amounts of waste that adversely affect the environment and increased economic benefit.

### 4. FUTURE DIRECTIONS FOR RESEARCH

The survey results were presented by recycling waste in the pessimistic variant, or 40% recycling of waste produced overall. The profit was taken with the assumption that there is coverage of the area with the necessary containers and secured the necessary resources and technology for smooth recycling. However parameters that can still be considered are the following: coverage

and representation of containers, expanding the analysis and consideration of the total cost necessary, review the process from an optimistic perspective, guidance for process improvement, cost-benefit analysis and the ability to process waste.

## **5. CONCLUSION**

Every single organization on the earth seeks to achieve economic benefit and clear market positioning. However if the organization is reviewed in terms of business models, active application of standards for environmental protection, we can conclude that the process of recycling is worthwhile. If the PET packaging is considered in terms of decompose, the conclude is that the process of degradation can be up to 600 years depending on exposure to sunlight and synthetic material that is assembled. Therefore the process of recycling before the PET packaging and how in favour of the active policy for reduced pollution above the soil, increased economic benefits for organizations, the reduced cost of raw materials and reduced cost of the final product.

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3. Environmental facts and benefits, web research

## BOOK REVIEW

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Title of Book: The 7 Habits of Highly Effective People

By **Stephen Covey**

Published BY Simon & Shuster, New York

Pages in Book: 358, ISBN No. : 0-671-70863-5 Edition: 2004, Price Rs 475/-

The Book 7 Habits of Highly Effective People is a highly researched book which will help us mirror us about many things of life. It is almost a Bible on Personal Management. It provides a yardstick for a guidable change and in few areas a measureable change. In this review, we have tried to provide many of skills which we felt were most important for youth. It is suggested that individual should make an independent reading of the book, before drawing any perceptions. It is highly recommended book for today's youth.

The Author has divided the book into 7 major skills (Habits) that needs to be developed, for a balanced life. The brief discussion of 7 habits as given by the author is as follows:

### **Habit 1:**

The author in this section talks about reaction to a stimulus. We as human being are the only species, who have been given free will by God to choose or to reject. Stimulus comes from a variety of sources but the question that comes to us is how we react to these stimuli. We can neglect them or we may react or may over react but in all above situations it depends on our free will. For e.g., look at how Sachin Tendulkar has been attacked by many for a variety of reasons, the greatness of this man comes from his ability to distance himself from such criticisms. This ability of his not gets carried away by praises and get bogged down by criticism makes him what he is today. Furthermore the author touches another important concept of "Act or be acted upon". Environmental pressures change you (being acted upon),It has been seen during recession that

many people lose their jobs and the best thing they do during this time is take up courses to get their jobs back ( being acted upon). Had they taken these courses during good days \*(acted) firstly they wouldn't had lost their jobs and secondly they may have also got promotions.

### **Habit 2: Begin with end in mind.**

If you give a fish to a man then it will have a good one day meal. If you give him a fishing rod he can eat for his entire life.

If you plan for 10 years from now grow a tree, if you plan for 100 years, educate. Both the above thoughts advocate same the thought "Begin with end in Mind".

Ultimately, it depends how far the end is and how far you can see. The author here tries to say that think and act according to what you think, what you want to do and achieve at the end. Develop your personal mission statements accordingly. The author also touches the wonderful concept of ALL Things are Created Twice i.e., once in mind and once in reality. If you don't have the courage to dream big (creating in the mind) how can you turn it into reality. So dream, that's when it is created first and then it creates an opportunity to be created in reality (second time). Further, the author touches another concept "The Center". He says human beings live in different centers, few are wisdom, Guidance, Security centric while few are Enemy, Friends centric etc. But my personal belief is that we are a bit of all centers with few superseding the others. The author also touches the idea of having Personal Mission statement which sums up all of above.

### **Habit 3: Put First Things First.**

"Things that matter the most should not be at the mercy of things that matter the least."

"Organize and execute around priorities"

Here the author deals with important concept of time management. He discusses different Eras of Time Management, Further he divides all our activities into 4 quadrants, quadrant 2 which has activities such as Relationship building, Recognizing new opportunities etc., are at the heart of personal Management, which will reduce the time spent in quadrant 1, which involve activities which are Urgent and produces Crisis situations. Author also advises to avoid spending too much time in quadrant 4 which involves time wasters like phone calls, mails etc. Although in my personal opinion everybody gets burnt out so everybody needs change and some amount of time wasters will relieve you of the stress developed in quadrant 1.

He also focuses on the importance of learning to say NO when you want to say NO

### **Habit 4: Think Win-Win.**

The author discusses here different 6 different paradigms through which we humans interact with others such as WIN- WIN, WIN - LOSE, LOSE -LOSE - WIN, LOSE - LOSE, WIN and NO DEAL. The question that arises what is the best of all these paradigms. Well, it is relationship specific, there is no perfect recipe for human relations. If you are playing a cricket match you definitely do not want a win-win situation, but in personal relationships, you do not mind a lose win situation although you may prefer a win-win situation. The author also discusses about few people who prefer a WIN situation it doesn't matter to them, what happens to the competitor. They are happy as far as they win.

**Habit 5: Seek First to Understand, Then to be Understood.**

You tell your children that they never listen to you, yes it may be true that they don't agree with your opinions. But why is the question important? Did you listen to them enough to understand their problems or what lies within their mind before prescribing to them a readymade prescription from 30 years of your life experiences, assuming it worked for you hence it will work for them? The author gives a wonderful example where he asks "would you go to an Optometrist who gave you his spectacles without diagnosing your eyes just because these spectacles worked for him"? It's important to have good communication skill and listening becomes the most important of them all. What the author is trying to say here, is to become an emphatic listener.

**Habit 6**

The author discusses the concept of third option where he emphasizes on the need for communication. It is about looking out for a third alternative which takes into consideration different people position and the coming out with a solution which is acceptable to all with due respect and dignity. In habit 6, the author also expresses the need to synergize, the power of two is always greater than 1, two minds are better than 1. The author expresses the need to synergize all the 5 previous habits and shows the power of using them in synergy. He also speaks about creative cooperation within families and classrooms, spouses and societies etc.

**Habit 7**

In the fast changing world, where product life cycles are getting shorter than ever before, skills get redundant faster, and technology changes at a rampant speed. We cannot be living with skills that were sufficient in the past. In Habit 7, the author expresses the need to continuously sharpen your saws (skills). As it is said sharpen your swords every day. The author further expresses the need to be healthy, from various perspectives such as Physical, Mental, Spiritual Social and Emotional skills (Saws). What he means to say here is the need to continuously redefine oneself so as to pick challenges of the New Era of Globalization.

In conclusion, we would like to say that although life is dynamic in nature; few golden principles of Personal Management expressed in this book can be a good launch pad to keep things well under control. It is good book for reading so one must this book.

## AUTHOR GUIDELINES

Website: [www.sgsrjournals.com](http://www.sgsrjournals.com)

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- The covering letter should list the name, affiliation, e-mail addresses and telephone numbers of all authors with brief abstract and key words. The corresponding author should be indicated.

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**Abstract:** Instructions for preparing manuscripts intended to guide the authors in preparing camera-ready hardcopy and electronic form of their manuscripts. Only manuscripts prepared according to these instructions will be published.

**Keywords:** aaa, bbbb, cccc

#### 1. Introduction

Standard English or American spelling is used but consistency should be maintained within a paper. The use of common or standard abbreviations is encouraged. SI unit must be used throughout.

The authors must *strictly follow* the instructions for preparation of their manuscripts.

#### 2. Materials and Methods

##### 2.1 General Setting

*Paper Size:* Use 210 x 297mm (A4) paper.

*Margins:* At the top, bottom = 1 in. and on the left and on the right side = 0.8 in.

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Each column should be left and right justified.

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##### 2.2 Manuscript

The manuscript must contain topic and style according to this template.

**Title:** The title should be brief, grammatically correct and no longer than two lines. Centre the title (14 point bold, capital letters), authors' names (12 point, regular), affiliations and addresses, and e-mail address of the corresponding author (9 point regular). Leave one blank line (12 point) after the title, the author names, and affiliations.

**Abstract:** Provide an abstract of the manuscript (9 point bold) approximate 300 words. The abstract should briefly state the problem or purpose of the research, indicate the theoretical or experimental plan used, summarise the principal findings, and point out major conclusions. The optimal length is one paragraph.

**Style:** Use separate sections for introduction, materials and methods, results and discussion, conclusions, acknowledgements (when appropriate), and references. Type the section headings in bold style without indentation and leave one blank line before and after each main heading. Sub-headings can be used as appropriate. Each section must be led by Arabic number in order to conveniently refer to in the text.

**Body Text:** Use Times New Roman typeface (10 point regular) throughout. Only if you want to emphasise special parts of the text use *Italics*. Start a new paragraph by indenting it from the left margin by 0.2in (and not by inserting a blank line). Font sizes and styles to be used in the manuscript are summarised in Table 1 given on next page.

**Equations:** Number equations consecutively. Equation numbers, within parentheses, are to position flush right, as in (1), using a right tab stop. To make your equations more compact, you may use the solidus ( / ), the exp function, or appropriate exponents. Italicize Roman symbols for quantities and variables, but not Greek symbols. Use a long dash rather than a hyphen for a minus sign. Punctuate equations with commas or periods when they are part of a sentence, as in

$$x + y = z.$$

..(1)

Note that the equation is centered using a center tab stop. Be sure that the symbols in your equation have been defined before or immediately following the equation. Use “(1)”, not “Eq. (1)” or “equation (1)”, except at the beginning of a sentence: “Equation (1) is . . .”

**Tables and Figures:** Paste tables and figures where needed (as close as possible to where they are mentioned in the text), if necessary spanning both columns. Number them consecutively using Arabic numbers (e.g. Table 1, Table 2, ..., Figure 1, Figure 2,...) and provide a caption for each table and figure. Place captions above the tables and beneath the figures. Leave one blank line before, and one after the captions. Do not indent or centre the captions. Please keep in mind the distinction between tables and figures: tables only contain alphanumerical characters and no graphical elements. *Do not use characters smaller than 8 points.*

Table 1: Font Sizes and Styles

Item	Font Size	Font Style
Title	14	Bold, Capitals
Authors' names	12	Regular
Affiliations, addresses, e-mail addresses	9	Regular
Abstract	9	Bold
Section Headings	10	Bold
Body Text	10	Regular
References	9	Regular

Either black and white or colour illustrations or graphics are acceptable. Photographs should be submitted and scan as high quality photos. Do not submit poor-quality photocopies. If you use half tone (gray-scale) illustrations please keep in mind that there will be some loss in quality due to reproduction.

**Figure 1.** Figure captions should be placed below the figure.

**References:** References should be cited in the text by square brackets: Times New Roman typeface (9 point regular); for example [1] or [1-3] or [1-3,5,7]. The list of references should be given in numerical order at the very end of your manuscripts under the heading 'References' as in the last part of this sample manuscript.

### 3. Results and Discussion

Only strictly relevant results should be presented Data must not be reproduced in more than one form, e.g., in both figures and tables, without good reason.

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