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Refereed Research Journal of

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Dear Friend,

It gives me immense pleasure to introduce to you the fifth issue of 'APOTHEOSIS' Tirpude's National Journal of Business Research, an online publication that encompasses scholarly work of academicians and corporate professionals. We received an overwhelming response for this issue with some quality research papers in various domains.

A strong research culture is a precursor to academic development and environment. Knowledge disbursal then becomes more enriching. High quality original research enables an academic institution to serve its primary objective of value addition of updated and relevant knowledge to its students and the academic community at large. Research is one strand, which when weaved with other academic activities helps an institution to reach the pinnacle of academic excellence.

'APOTHEOSIS' offers its readers practical and meaningful contributions from academicians, research scholars and industry professionals in the field of business management that can be utilized for practical application in relevant fields.

This issue of APOTHEOSIS contains an array of research work conducted by various authors under numerous topics viz., Role of Microfinance Institutions in Rural Development; Determinants of Consumer Choice on Private Banking: A Case Study from Sabaragamuwa University of Sri Lanka; An Empirical Analysis of Supply Chain Competency of the Manufacturing Industry; Social Audit in Cooperatives – A case study on PACS Raidurg RR District, A Study on Women Entrepreneurs in Beauty Care Service Industry With Special Reference to Virdhunagar District; Risk Perception on Online Banking with Special Reference To HDFC and ICICI Bank.

My task as an editor became more perplexing by virtue of though provoking and original quality of research work submitted by contributors from diverse fields. It was extremely difficult selecting the best papers for publication though I could select a few based on originality with the help of our reviewing team comprising of erudite scholars from academia and industry.

I appeal to all my contemporaries in management education and related areas to subscribe to our Journal. This will facilitate dissemination of knowledge contained therein to one and all.

I am sure you will find the contents extremely enriching and of immense value and relevance to all concerned.

Thanking you in anticipation,

Dr. Praveen Mustoor
Editor

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HIGHER EDUCATION IN INDIA: A SWOT ANALYSIS

*Prof.Pranav Kayande

Abstract:

Indian Economy and her Higher education, as compared with other regions of the world, is promising and stable due to immense growth and development provided by Indian trade and commerce. Higher education needs to be considered holistically, with special focus on economic development and harmony with neighboring countries.

This paper aims at historical comparison of India and rest of the world on economic and educational platforms. It also explores new requirements by following deep SWOT Analysis of present Higher Education as practiced in India in the present world economic scenario.

Further, the paper would cover recommendations to convert the weaknesses so as to upgrade them to matching requirements acceptable to the world academicians and prospective pupils and also to review and analyze the existing threats and growing needs so as to convert threats into appropriate and relevant opportunities.

Keywords: ICT, European Economy, Indian Higher Education, Indian Economy.

PROBLEM STATEMENT

Analysis of contemporary Indian economic conditions with special reference to the challenges faced by Indian higher education in the year 2013.

OBJECTIVES OF THE STUDY

1. Analysis of Indian economy with reference to Euro zone countries.
2. Analysis of Indian Higher Education: Historical and Present scenario
3. Derive inferences based upon SWOT analysis of Indian Higher Education.

EUROZONE ECONOMY

As per BBC News reports "The German Finance Minister was asked how far they felt secure and he answered that it will be between 50% and 60%".

But actually the Eurozone's outlook for 2013 seems to be troublesome. Much more countries are heading into recession and

unemployment, undoubtedly. The Greek problem is rising again. Its debts are sustainable. Sooner or later some of its debt will have to be written off.

France is in the spotlight amid fears that it could become the next focus of the crisis in the Eurozone following Greece, Portugal and Ireland, though it is the second largest economy among European nations and has Fortune 500 companies - to name a few L'Oreal, luxury giant PPR and Alexander McQueen.   Still Moody's decision to downgrade France's sovereign debt means it believes that the risk of the country defaulting on its debts has increased."

Fig. Euro Zone

Let us discuss about the history of European nations. At the end of World War II economic disaster and poverty spread over Europe. Industrial production decreased, people got unemployed and many got

homeless. In Germany alone, around 25% of all urban housing had been destroyed and GDP came down by a whopping 70%.

In June of 1947, U.S. Secretary George Marshall announced an international aid strategy that would support the European economy. This strategy came to be known as the Marshall Plan. The plan encouraged economic cooperation within Europe. For this he was given the Nobel Peace Prize in 1953.

The global financial crisis in 2007–08 acted as the trigger that set the debt concern spread across Europe and growth declined sharply.
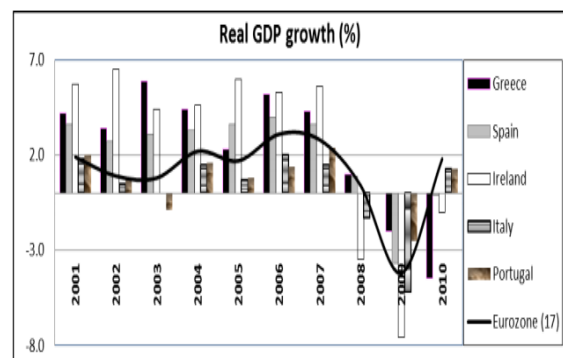
Fig. GDP stats   (**Source:** Eurostat)

The unemployment rates were recorded high in Spain (26.6%), Greece (26.0%), Austria (4.5%), Luxembourg (5.1%), Germany (5.4%) and The Netherlands (5.6%) had the least unemployment rates.   The figures

suggest that Europe's economies are still struggling to create jobs. In November 2011 unemployment had stood at 10.6% in the Eurozone.

"It is clearly unacceptable that 25 million Europeans are out of work," European Commission spokesman Jonathan Todd told a regular briefing.

Joblessness could go beyond 19 million by early 2014 or about 12 percent of the Eurozone's workforce, according to a new study by consultancy firm, Ernst & Young. "In this difficult environment, companies are likely to reduce employment further in order to preserve productivity and profitability," the Reuters report said.

"While the bursting of a real estate bubble in Spain and the end of a decade of credit-fueled expansion in Greece account for difficulties in the Mediterranean, policymakers still face the challenge of trying to revive growth across the bloc", according to Reuters.

In short, to summarize above discussion, a huge amount of instability exists in that part of the world.

INDIAN ECONOMY

Let us look at the Indian economy.

Fig. South Asia

South Asia consists of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri lanka. South Asia is the most populous geographical region in the world.

The SAARC i.e. South Asian Association for Regional Cooperation is an economic cooperation organization in the region. The South Asia Free Trade Agreement endorsed by SAARC has been signed by the seven original members of the organization.

The South Asia Foundation (SAF) founded by UNESCO Goodwill Ambassador Madanjeet Singh in 2000, is a secular, non-profit organization. It offers courses in

Preservation of Cultural Heritage (Kabul), Human Rights and Common Law (Dhaka), Forestry Studies (Bumthang, Bhutan), Journalism (Chennai), Kashmir Studies (Srinagar), Regional Cooperation (Pondicherry), Green Energy Technology (Pondicherry), Climate Research (Maldives), Development Studies (Kathmandu), Visual Arts (Lahore), South Asian Studies (Lahore) and Water Management (Moratuwa, Sri Lanka).

India is the largest economy in this region. India is also the 3rd largest economy by purchasing power. Lot of iron, aluminum and other minerals are available in ample quantities in Indian soil.

In business scenario, Indian business organizations just like Tata steel, Tata Motors, Reliance, Birla group, Kirloskar, Kalyani group, etc. are operating and flourishing in their core area of respective manufacturing. Tata group has successfully taken on bigger organizations than themselves and are operating abroad. Similar scenario is applicable in case of these other organizations also.

Software organizations from India have set benchmarks on world business platform. To name a few - Infosys, Wipro, TCS,

Herbinger, etc. Even in case of retail sector many big names have entered into the organized retail sector. We know that Birla, Pantaloon, Big Bazar, Central chain and Shoppers stop have earned a good business.

Pharmaceutical organizations have also got good hold, good name and have flourished in the India market. Their researchers are inventing new molecules, drugs and curing patients and providing healthy long lives. Many pharmaceutical organizations are operating in India. To name a few - Ranbaxy, Cipla, Nicholes, Dr.Reddy's and so on.

Apart from various organizations of Indian origin operating successfully in India big MNCs from foreign nationals are also operating successfully in India. Examples are Huawei, Accenture, Oracle and Google from the software field. Barista, Café Coffee Day, Dominos, Pizza Hut and many others are spreading their foot hold in India dramatically.

Insurance, academics, advertising, fashion shows, banking, medicine, real estate, medical, telecommunication, share broking, mutual funds, transportation,, multilevel marketing, internet marketing are the sectors where nice growth and lacks of rupees of

transactions are happening. Apart from LIC, Bajaj Allianz, Max New York are successfully operating. SBI, HDFC, ICICI, City bank, Yes bank, PNB and many other banking organizations have very good track records.

After Hollywood, Bollywood has good reputation and business worldwide. Especially wherever Indian population lives, the Indian Cinema has created an impact on its population.

India is the prime country to organize 20-20 cricket matches, which have lacks of rupees of turnover. Renowned players, worldwide, are striving to get included into it.

We know corruption rate is also high in India. Still we can't ignore faster growth done by Indian industries. Now India has opened doors for retail, pharmaceutical sectors and academics for foreign players.

Soon we can expect successful MNCs to enter and spread their business in India. Even top notch universities will soon have their foot print on this soil.

India is thus the fastest growing economy from the 3rd world countries. Also it can be

considered as stable as many big giants like Wal-Mart, Tesco are heading towards it.

Untill now we have discussed the economic conditions of South Asia, especially India as she is the biggest among them all in every sense. Also we have discussed the things happening in Eurozone regions.

Biggest contradiction is that India is still called an Underdeveloped Nation while Eurozone is called a Developed Nation.

INDIAN EDUCATION:

Historical Perspective:

India had produced top graduates during ancient times, as a result to having Nalanda and Takshashila Universities. Taxila is a town and an important archaeological site in the Rawalpindi District of the Punjab province in Pakistan. Takshaaśilā is reputed to derive its name from Takshashila, who was the son of Bharata, the brother of Rama. In the Great Hindu Epic Mahābhārata, the Kuru heir Parikshit was enthroned at Takshaaśilā. 321–317 BCE Chandragupta Maurya, founder of the Mauryan empire in eastern India, makes himself master of northern and northwestern India, including Panjab. Chandragupta Maurya's advisor

Kautilya (also known as Chanakya) was a teacher at Takshaaśilā. The Ayurvedic healer Charaka also studied at Taxila. The ancient grammarian Panini, who codified the rules that would define Classical Sanskrit, has also been part of the community at Takshashila. The Mahāyāna branch of Buddhism took shape there. Jivaka, the court physician of the Magadha emperor Bimbisara who once cured the Buddha and the enlightened ruler of Kosala, Prasenajit, are some important personalities mentioned in Pali texts who studied at Takshashila.

The site of Nalanda is located in the Indian state of Bihar, about 88 kilometers south east of Patna and was a religious center of learning from the fifth or sixth century CE to 1197 CE. It was devoted to Buddhist studies, but it also trained students in fine arts, medicine, mathematics, astronomy, politics and the art of war. Nalanda flourished between the reign of the Śakrāditya (whose identity is uncertain and who might have been either Kumara Gupta I or Kumara Gupta II) and 1197 CE, supported by patronage from the Hindu Gupta rulers as well as Buddhist emperors like Harsha and later emperors from the Pala Empire. Nalanda was one of the world's first residential universities, i.e., it had dormitories for students. It is also one of the most famous universities. In its heyday it accommodated over 10,000 students and 2,000 teachers. The university was considered an architectural masterpiece and was marked by a lofty wall and one gate. Nalanda had eight separate compounds and ten temples, along with many other meditation halls and classrooms. On the grounds were lakes and parks. The library was located in a nine storied building where meticulous copies of texts were produced. The subjects taught at Nalanda University covered every field of learning and it attracted pupils and scholars from Korea, Japan, China, Tibet, Indonesia, Persia and Turkey.

Further centers include Odantapuri, in Bihar (circa 550 - 1040), Somapura in Bangladesh (from the Gupta period to the Muslim conquest), SharadaPeeth in Pakistan, Jagaddala in Bengal (from the Pala period to the Muslim conquest), Nagarjunakonda in Andhra Pradesh, Vikramaśīla in Bihar (circa 800-1040), Valabhi in Gujarat (from the Maitrak period to the Arab raids), Varanasi in Uttar Pradesh (8th century to modern times), Kanchipuram in Tamil Nadu, Manyakheta in Karnataka, Puspagiri in Orissa and Ratnagiri in Orissa.

Indian Higher Education: Present Scenario

Let us put light upon the Higher Education conditions of India.

As per Economic Survey 2011-12 by Planning Commission of India, the Statistics of Higher and Technical Education 2009-10.

Sr. No.	States/ Union Territorries	College for General Education	College for Professionals Education	Other (Including Research Institutions)	Unive. Deemed Univ./ Inst. of National Imp.
1	Andhra Pradesh	1,767	1,222	547	31
2	Arunachal Pradesh	13	5	2	2
3	Assam	325	54	166	8
4	Bihar	817	61	34	20
5	Chhattisgarh	330	25	51	9
6	Goa	24	13	6	1
7	Gujarat	593	694	569	26
8	Haryana	179	520	50	12
9	Himachal Pradesh	64	11	6	7
10	Jammu & Kashmir	65	139	23	10
11	Jharkhand	113	25	26	8
12	Karnataka	638	963	13	29
13	Kerala	189	244	1	11
14	Madhya Pradesh	740	287	149	21
15	Maharashtra	2,182	748	328	42
16	Manipur	58	8	6	1
17	Meghalaya	56	2	2	2
18	Mizoram	23	3	2	1
19	Nagaland	42	4	22	1
20	Orissa	700	127	73	15
21	Punjab	231	229	12	14
22	Rajasthan	993	261	214	24
23	Sikkim	5	6	5	3
24	Tamil Nadu	550	630	165	43

Fig. Total Number of Recognized Educational Institutes in India (Degree and above): 2009-10

From Indian context, IIMs, IITs have set standards into the field of higher education. Not only IIMs but also reputed institutions like Nirma University, Ahmedabad, BITs-Pilani, Narsee Monjee Institute, Mumbai, Jamnalal Bajaj, Mumbai, IMT, Ghaziabad, Symbiosis, Pune, Tirpude Institute, Nagpur and many others have acquired reputation

due to their standardized way of operations and quality education.

Such management educational institutions have not only acquired name in India and Asia but also on global platform.

Initiatives taken in Eleventh Plan for improvement in the quality of higher education are:

1. To review the present status of higher education in the country with a particular focus on the future development perspective between 2007-12

2. Improve quality of teaching, with focus on upgrading of infrastructure, filling up of vacant faculty positions, greater use of ICTs, provision of broadband connectivity, revision/modernization of syllabi to take care of emerging needs.

3. To assess the academic and infrastructure standards of the State Universities with a view to minimize variation in standards.

4. To suggest measures for bringing girls, SC & STs, OSCs, Minorities, the Disabled and other disadvantaged groups on par with the rest in the area of Higher Education.

5. To suggest measures for providing adequate financial and other support to (i) talented and (ii) needy students, so that they are able to realize their full potential and no one desirous of pursuing Higher Education is deprived of it.

Table : Destinations for international students and numbers, 2000-2008.

	2000	2008	% Increase
USA	514,723	623,805	21%
UK	224.660	389,330	74%
Australia	138,381	230,635	67%
China	52,150	223,499	428%
Malaysia	28,872 (2002)	80,760 (2009)	278%
Singapore	11,000 (2002)	90,000	818%
New Zealand	16,586	59,636	359%
South Korea	12,314 (2003)	63,952	519%

Source: Macready and Tucker (2011)

From table above, it is clear that Asian students are seeking study locations closer to home and smaller proportions are travelling to the USA, the UK and Europe.

India consists of multiple languages, beliefs, cultures. Hence cross cultural considerations is essential while dealing with teaching pedagogy and other academic activities.

If we want to target complete Asian students then complete Asian culture, economies need to be considered by faculty members and university syllabus designers.

Now soon we are expecting more institutions from UK, States and other foreign academicians to enter into Indian economy. Definitely due to better economic stability and also due to such foreign universities entering, we can expect tremendous changes into the field of Academics in India. These changes can be upgraded into standardization, better service and quality improvement.

SWOT ANALYSIS:

Higher Education opportunity in India:

Strengths:

1. Economic conditions are quiet stable as compared to Euro zone and few other economies of the world.

2. Quality education, quality research is the USP of many top notch management institutions like IIMs, IITs and many others in India.

3. Indian Government is trying to speed up its various efforts through organizations like AICTE, NAAC, NBA, etc. to improve efficiency and quality.

4. ICT (Information, Communication and Technology) has got fillip from government and will cover higher education institutes. 11th Five Year Plan has proposed for launching of a National Mission in Education through ICT to increase ICT coverage in all the

378 universities and 18064 colleges in India.

5. Some of the Indian universities/ institutions namely IIMs, IGNOU, BITS Pilani, MAHE, NIIT are already offering online programs and many more have emerged in the recent period.

6. Besides, other provisions include disbursement of special grants to Central Universities and other Central institutions (like the IIMs, the IITs, the NIITs, medical, and engineering institutions) for increase in their intake capacities by about 54 per cent under the stipulations of the Oversight Committee of GOI.

Weaknesses:

1. The biggest issue is of poor sanitation and is particularly urgent in India, where many die each year from diarrheal diseases and poor sanitation. Poor sanitation also costs Bangladesh, India, and Pakistan combined more than $50 billion each year. This is the concern from many country students and academicians to migrate to India.

2. A limited reputation for academic research hinders research scholars to flock to India.

3. Inadequate facilities on many public campuses fall short to provide basic facility to students and professors.

4. Recurrent strikes by political and social parties create commutation concerns and instability.

5. Insufficient information on quality and urge to improve, creating problem to create quality education systems.

6. Many of the management educational institutions in India still consider local student (state or India) are their target customer.

7. Many of the management education institutes are still not accredited by certificates of standardization such as NAAC, NBA, ISO and the like.

8. Public spending on education in India currently averages about 4.1 percent of GDP – one of the lowest levels of any region.

9. As B.Ed, M.Ed. are compulsory to join as a teacher in schools, there is no compulsory provision on the part of GOI w.r.t. Management education teachers though FDPs are held.

Opportunities:

1. Sri Lanka as well as India has many attractions for international students: the

beauty of its scenery, its multi-cultural society, the possibility of education in the English medium, modest prices and positive government policies.

2. SAARC established South Asian University (located in Chanakyapuri, New Delhi), SAARC Chairs, Fellowship and Scholarship scheme to promote higher education among South Asian countries.

3. As European economy is sliding downward and Indian govt. has opened its market for foreign academic institutions. Hence European universities, students and professors may get attracted towards India.

4. The World Bank invested millions of US$ in education in India. The investment is producing strong results with noticeable improvements in education.

5. Foreign universities are entering Indian markets. This is opportunity for students and govt to create good education hub in India.

6. The biggest competitor of India, China's growth is projected to reach 7.9 percent this year, 1.4 percentage points lower than last year's 9.3 percent and the lowest growth rate since 1999. This can be considered as an opportunity to tap untapped markets.

7. The World Bank encourages participating governments to move towards emphasizing outcomes – girls' education and reducing social disparities in particular.

8. UNICEF is taking various initiatives in the field of education. Stand-alone life skills curriculum in Sri Lanka, Afghanistan, Maldives, Napal's health curriculum, Pakistan's Empowerment of Adolescents Project and India's Adolescent Education Programme.

9. As discussed above, Asian students are seeking study locations closer to home and smaller proportions are travelling to the USA, the UK and Europe.

Threats:

1. Foreign university entering into Indian market can be considered as big threat by local established management educational institutes and universities.

2. Countries such as China, Malaysia, Singapore and New Zealand are actively marketing themselves as nice host for international students.

3. Many private business players in India are commencing their own business

schools. This is big threat to established management institutions.

4. China is taking many initiatives to have command over software development, in which India has expertise.

5. Also China has speeded up in learning English language. Then the traditional Indian English language and Computer software advantage in business and education can shift towards China.

6. Tense conditions with neighboring countries within South Asia are a strong threat for development in any field including education.

7. If IIMs, IITs, NITs and other reputed management and technological institutes increase in number then they may face problem to get quality, knowledgeable and dedicated teaching staff.

8. Now the syllabus and teaching pedagogy is based upon dealing with local (Indian) economy. This can't be effective while attracting foreign students.

RECOMMENDATIONS:

Great universities like Nalanda and Takshashila were produced in this Indus valley, which imparted knowledge and wisdom in a variety of streams to the world.

Now the Indian graduates are running Silicon Valley in United States. They are CEOs of MNCs . They are governing on key positions into various organizations worldwide. If we learn from history we will be able to produce better universities than Nalanda and Takshashila.

Initiatives from GOI to improve quality teaching be

1. Compulsory training just like B Ed can add value to teaching learning process.

2. Extensive use of IT enabled technologies into teaching learning process just like Online black boards, Smart screens, SAP, advanced Library Management system and like systems.

3. Even inter-connectivity and sharing of data among Indian Universities will avoid the problem of fake certificates authentication issue.

4. While increasing the number of IITs or IIMs, quality should not be put at stake.

5. More encouragement through funding and compulsion, can enhance qualitative research work and in process name and fame.

6. NBA, NAAC should be made compulsory for all Management institutions.

7. Basic sanitation and infrastructure development can add value to attract international crowd.

Foreign Universities which are considered by local universities and colleges as threats, can prove to be beneficial if attitude is reversed. Local universities and colleges can shake hands with these foreign players and get mutually benefitted.

SAARC, UNICEF, World Bank and like organizations are already working for uplifting the Indian region. Universities and colleges can take utmost advantage of such opportunities and can enhance their performances.

Indian Universities and institutes need to take a step further to enhance quality education

1. Encourage research; engage faculty members into constant projects and consultancies into industries.

2. Faculty exchange programmme with foreign countries to upgrade teaching skills.

3. Treat faculty members as assets for the organizations.

4. State of art infrastructure, books availability, online journals, technological advancements and above all time with teachers to get acquainted with the knowledge source.

5. More industry interactions of faculty members and students. This will help management faculty members to have flavor of practical industry exposure and understanding.

6. The universities are now targeting world. Hence cross cultural understanding while dealing with syllabus designing and teaching pedagogy need to be taken into consideration.

Indian institutes and universities, instead of sticking to local (state, countries) languages, beliefs and culture should expand their thinking horizon to assimilate holistic approach.

Indian universities / institutes should also market themselves as a nice host for international students just like China, Singapore and New Zealand.

As per discussion, now the economic conditions and instability prevails at Eurozone region. Even China's growth rate is sliding down. In these conditions if South Asian countries cooperate among themselves, then all of them will be able to prosper. As we know, "United we stand; divided we fall."

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Role Of Microfinance Institutions In Rural Development

*B.V.S.S. Subba Rao

Abstract :

The basic idea of microfinance is to provide credit to the poor people who otherwise would not have access to credit services. More than subsidies poor need access to credit. Absence of formal employment makes them 'non-bankable'. This forces them to borrow from local money lenders at exorbitant interest rates. Many innovative mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India.

Key Words: Microfinance, credit, Informal financial sources, Financial inclusion

INTRODUCTION

The basic idea of microfinance is to provide credit to the poor people who otherwise would not have access to credit services. Micro-credit programme extend small loans to very poor people for self-employment projects that generate income and allow them to take care for themselves and their families. More than subsidies poor need access to credit. Absence of formal employment makes them 'non-bankable'. This forces them to borrow from local money lenders at exorbitant interest rates. Many innovative mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India.

1. MICRO-FINANCE AND POVERTY ALLEVIATION

The basic idea of microfinance is to provide credit to the poor people who otherwise would not have access to credit services. Micro-credit programme extend

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small loans to very poor people for self-employment projects that generate income and allow them to take care for themselves and their families. This programme is working in many developing countries. There is no dearth of literature related to microfinance. In order to find the impact of microfinance programme, impact assessment studies have been done by many authors in different countries like Bangladesh, India, Pakistan, Nepal, Thailand, Ghana, Rwanda, Peru and many other countries of South Asia and Africa. The literature on microfinance offers a diversity of findings relating to the type and level of impact of the programme. There are various studies which confirm that microfinance programme has a significant positive impact in increasing employment and reducing poverty. A number of studies show that the participant households enjoy higher standard of living as compared to the non-participants. The programme reduces consumption as well as income vulnerability among its beneficiaries. Some of the studies also confirm that the programme is helpful in attaining millennium development goals by reducing poverty, hunger, infectious diseases and through women empowerment. There are a number of studies which explain that participation in the programme has led to greater levels of

women empowerment in terms of increase in knowledge, self confidence, economic, social and political awareness, mobility, development of organizational skills, etc. However, some of the studies show that the programme is not reaching the bottom poor people and the group loans are utilised for non-income generating activities such as consumption and other emergency needs. The studies also show that the women participants have limited control over the use of group loans, therefore, the programme results in limited empowerment of women participants. Thus the literature on microfinance provides mixed results about the impact of microfinance programme on the programme participants.

Most poor people manage to mobilize resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, accelerating the process of building incomes, assets and economic security. However, conventional finance institutions seldom lend down-market to serve the needs of low-income families and women-headed households. They are very often denied access to credit for any purpose, making the discussion of the level of interest rate and other terms of finance irrelevant. Therefore, the fundamental problem is not so much of unaffordable

terms of loan as the lack of access to credit itself.

The lack of access to credit for the poor is attributable to practical difficulties arising from the discrepancy between the mode of operation followed by financial institutions and the economic characteristics and financing needs of low-income households. A large number of small loans are needed to serve the poor, but lenders prefer dealing with large loans in small numbers to minimize administration costs. They also look for collateral with a clear title-which many low-income households do not have. In addition bankers tend to consider low income households a bad risk imposing exceedingly high information monitoring costs on operation.

To the extent that microfinance institutions become financially viable, self sustaining and integral to the communities in which they operate, they have the potential to attract more resources and expand services to clients. Despite the success of microfinance institutions, only about 2% of world's roughly 500 million small entrepreneurs are estimated to have access to financial services (Barry et al. 1996). Although there is demand for credit by poor and women at market interest rates, the volume of financial transaction of microfinance institution must reach a

certain level before their financial operation becomes self sustaining. In other words, although microfinance offers a promising institutional structure to provide access to credit to the poor, the scale problem needs to be resolved so that it can reach the vast majority of potential customers who demand access to credit at market rates. One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be based on comparative strengths of each sector. Therefore, formal sector finance institutions could form a joint venture with informal sector institutions in which the former provide funds in the form of equity and the later extends savings and loan facilities to the urban poor. Microfinance institutions could also serve as intermediaries between borrowers and the formal financial sector and on-lend funds backed by a public sector guarantee (Phelps 1995). Business –like NGOs can offer commercial banks ways of funding micro entrepreneurs at low cost and risk. There are many on-going researches on this line but context specific research is needed to identify the most appropriate model. With this in mind we discuss

various possible alternatives of formal-informal sector linkages in India.

In this context, following strategic, institutional and connectivity issues related to micro-finance arise:

Strategic issues

- Is there a prevailing paradigm for micro-finance?
- Are there clearly visible patterns across the country?
- Are there clearly defined foundation building blocks such as organizing principles, gender preferences and operational imperatives?
- What are the methodological issues?

Institutional Issues

- Is there a need for a new institution?
- Should it operate all over India or in a state?
- Where should it be located?
- Who can lead an institution of this sort?
- What will its contextual interconnections be?
- Who will be its beneficiaries?

Connectivity Issues:

- How should the Corporate Financial Sector be involved?
- What is the role of donor agencies?
- How should communities be involved?

- Are there political issues that should be explicitly considered?
- Are there government policy issues?

2. THE FORMAL SECTOR INSTITUTIONS

Traditionally, the formal sector Banking Institutions in India have been serving only the needs of the commercial sector and providing loans for middle and upper income groups. Similarly, for housing the HFIs have generally not evolved a lending product to serve the needs of the Very LIG primarily because of the perceived risks of lending to this sector. Following risks are generally perceived by the formal sector financial institutions:

- Credit Risk;

- High transaction and service cost;

- Absence of land tenure for financing housing;

- Irregular flow of income due to seasonality;

- Lack of tangible proof for assessment of income;

- Unacceptable collaterals such as crops, utensils and jewellery.

As far as the formal financial institutions are concerned, there are Commercial Banks, Housing Finance Institutions (HFIs), NABARD, Rural Development Banks (RDBs), Land Development Banks and Co-operative Banks (CBs).

As regards the Co-operative Structures, the Urban Coop. Banks (UCB) or Urban Credit Coop Societies (UCCS) are the two primary co-operative financial institutions operating in the urban areas. There are about 1400 UCBs with over 3400 branches in India having 14 million members. Their total lending outstanding in 1990-91 has been reported at over Rs.80 billion with deposits worth Rs 101 billion.

Similarly there exist about 32000 credit coop. societies with over 15 million members with their total outstanding lending in 1990-91 being Rs. 20 billion with deposits of Rs.12 million. Few of the UCCS also have external borrowings from the District Central Coop. Banks (DCCBs) at 18-19%. The loans given by the UCBs or the UCCS are for short term and unsecured exceptt for few which are secured by personal guarantees. The most effective security is the group or the peer pressure.

The Government has taken several initiatives to strengthen the institutional rural credit system. The rural branch network of commercial banks have been expanded and certain policy prescriptions imposed in order to ensure greater flow of credit to agriculture and other preferred sectors. The commercial banks are required to ensure that 40% of total credit is provided to the priority sectors out of which 18% should be in the form of direct finance to agriculture and 25% to priority sector in favor of weaker sections, besides maintaining a credit deposit ratio of 60% in rural and semi urban branches.

3. REVIEW OF LITERATURE

1. Sheokand (2000) discussed the evolution of Indian banking and its failure to provide credit facilities to poor people. NABARD started Self Help Group – Bank Linkage Programme in 1992, which was considered as a landmark development in banking with the poor.

2. Gurumoorthy (2000) explained the Self Help Group (SHG) as a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes.

3. Rutherford (2000) and Armendáriz & Morduch (2005) explained the difference between microfinance and micro-credit.

4. Harper (2002) studied the differences, outreach and sustainability of the SHG banking system and Grameen banking system of providing microfinance. SHG bank linkage and Grameen banking systems dominated the microfinance markets in India and Bangladesh respectively.

5. Singh (2003) had explained the failure of government initiated anti-poverty programmes and the success of microfinance programme as an effective poverty alleviation strategy in India.

6. Basu and Srivastava (2005) in their Rural Finance Access Survey-2003 conducted jointly by World Bank and National Council of Applied Economic Research, India, highlighted the inadequacies in rural access to formal finance and the exploitative terms of informal finance, which provided a strong need for innovative microfinance approaches.

7. Yunus (2006) in a study explained the differences between Grameen Bank and conventional banks. He explained that the Grameen Bank methodology was almost the reverse of the conventional banking methodology.

8. Sarkar (2008) in his paper discussed the new model of microfinance in Bangladesh and expressed the need of some institutional reforms in the microfinance development strategy of India.

4. OBJECTIVES OF STUDY

*   To Study the Role of Micro Finance Institutions in Rural Development.

*   To know the Intermediary role performed by the Micro Finance Institutions.

*   To Study the Strategic, Institutional and Connectivity Issues linked with Micro Finance.

*   To know the Strengths and Weaknesses of existing Micro Finance Models.

5. THE EXISTING INFORMAL FINANCIAL SOURCES

The informal financial sources generally include funds available from family sources or local money lenders. The local money lenders charge exorbitant rates, generally ranging from 36% to 60% interest due to their monopoly in the absence of any other source of credit for non-conventional needs. 'Chit funds' and

'Bishis' are other forms of credit system operated by groups of people for their mutual benefit which, however, have their own limitations.

Lately, few of the NGOs engaged in activities related to community mobilization for their socio-economic development have initiated savings and credit programmes for their target groups. These community based financial systems (CBFS) can broadly be categorized into two models: Group Based Financial Intermediary and the NGO Linked Financial Intermediary.

The experiences of these informal intermediaries shows that although the savings of group members, small in nature, do not attract high returns it is still practiced due to security reasons and for getting loans at lower rates compared to that available from money lenders. These are short term loans meant for crisis, consumption and income generation needs of the members. The interest rates on such credit are not subsidized and generally range between 12 to 36%. Most of the loans are unsecured. In few cases personal or group guarantees or other collaterals like jewellery is offered as security.

While a census of NGOs in micro-finance is yet to be carried out, there are perhaps 250-300 NGOs, each with 50-100 Self Help Groups (SHGs). Few of them, not more than 20-30 NGOs, have started forming SHG Federations. There are also agencies which provide bulk funds to the system through NGOs. Thus organizations engaged in micro finance activities in India may be categorized as Wholesalers, NGOs supporting SHG Federations and NGOs directly retailing credit borrowers or groups of borrower.

6. CREDIT MECHANISMS ADOPTED BY HDFC (INDIA) FOR FUNDING THE LOW INCOME GROUP BENEFICIARIES

HDFC has been making continuous and sustained efforts to reach the lower income groups of society, especially the economically weaker sections, thus enabling them to realize their dreams of possessing a house of their own.

HDFCs' response to the need for better housing and living environment for the poor, both in the urban and rural sectors materialized in its collaboration with Kreditanstalt fur Widerraufbau (KfW), a German Development bank. KfW sanctioned DM 55 million to HDFC for low cost housing projects in India. HDFCs' approach to low-income lending has been extremely professional and developmental in nature. Negating the

concept of dependence, HDFCs' low cost housing schemes are marked by the emphasis on peoples' participation and usage of self-help approach wherein the beneficiaries contribute both in terms of cash and labour for construction of their houses. HDFC also ensures that the newly constructed houses are within the affordability of the beneficiaries and thus promotes the usage of innovative low cost technologies and locally available materials for construction of the houses.

For the purpose of actual implementation of the low cost housing projects, HDFC collaborates with organizations, both Governmental and Non-Governmental. Such organizations act as coordinating agencies for the projects involving a collection of individuals belonging to the Economically Weaker Sections. The projects could be either in urban or rural areas. The security for the loan is generally the mortgage of the property being financed. The construction work is regularly monitored by the coordinating agencies and HDFC. The loans from HDFC are disbursed depending upon the stages of construction. To date, HDFC has experienced 100% recovery for the loans disbursed to various projects.

7. STRENGHTS OF INFORMAL SECTOR

A synthesis that can be evolved out of the success of NGOs / CBOs engaged in microfinance is based on certain preconditions and on institutional and facilitating factors.

7.1. Preconditions to Success

Those NGOs/ CBOs have been successful that have its tilled financial value/ discipline through savings and have demonstrated a matching value themselves before lending. A recovery system based on social intermediation and various options including non-financial mechanisms has proved to be effective. Another important feature has been the community governance. The communities in which households are direct stake holders have successfully demonstrated the success of programs. A precondition for success is to involve community directly in the program.

7.2 Operating Indicators

The operating indicators show that programs which are designed taking into account the localized and geographical differences have been successful. Effective and responsive accounting and monitoring mechanisms have been important and critical ingredients for the success of programs. The operational success has been more when interest rates are at or near market rates: The experience of

NGOs /CBOs indicates that low income households are willing to pay market rates. The crucial problem is not the interest rates but access to finance. Eventually in absence of such programs households end up paying much higher rates when borrowing from informal markets. Betterment in quality of life through better housing or better economic opportunities is a tangible indicator of success. The programs which have been able to demonstrate on some measurable scale that the quality of life has improved have been successful. To be successful the program productivity should match with outreach.

7.3 Facilitating Factor

Another factor that has contributed to the success is the broad environment. A facilitative environment and enabling regulatory regime contributes to the success. The NGOs/ CBOs which have been able to leverage funds from formal programs have been successful. An essential factor for success is that all development programs should converge across sectors.

8. WEAKNESSES OF EXISTING MICROFINANCE MODELS

One of the most successful models discussed around the world is the Grameen type. The bank has successfully served the rural poor in Bangladesh with no physical collateral, relying on group responsibility to replace the collateral requirements. This model, however, has some weaknesses. It involves too much of external subsidy which is not replicable. Grameen bank has not oriented itself towards mobilizing peoples' resources. The repayment system of 50 weekly equal installments is not practical because poor do not have a stable job and have to migrate to other places for jobs. If the communities are agrarian during lean seasons it becomes impossible for them to repay the loan. Pressure for high repayment drives members to money lenders. Credit alone cannot alleviate poverty and the Grameen model is based only on credit. Micro-finance is a time taking process. Haste can lead to wrong selection of activities and beneficiaries.

Most of the existing microfinance institutions are facing problems regarding skilled labour which is not available for local level accounting. Drop out of trained staff is very high. One alternative is automation which is not looked at as yet. Most of the models do not lend for agriculture. Agriculture lending has not been experimented.

- Risk Management: Yield risk and Price Risk;

- Insurance & Commodity Future Exchange could be explored.

All the models lack in appropriate legal and financial structure. There is a need to have a sub-group to brainstorm on statutory structure/ ownership control/ Management/ taxation aspects/ financial sector prudential norms. A forum/ network of micro-financier (Self regulating organization) are desired.

9. A NEW PARADIGM

A new paradigm that emerges is that it is very critical to link poor to formal financial system, whatever the mechanism may be, if the goal of poverty alleviation has to be achieved. NGOs and CBOs have been involved in community development for long and the experience shows that they have been able to improve the quality of life of poor, if this is an indicator of development. The strengths and weaknesses of existing NGOs/ CBOs and microfinance institutions in India indicate that despite their best of efforts they have not been able to link themselves with formal systems. It is desired that an intermediary institution is required between formal financial markets and grassroots.

The intermediary should encompass the strengths of both formal financial systems and NGOs and CBOs and should be flexible to the needs of end users. There are, however, certain unresolved dilemmas regarding the nature of the intermediary institutions. There are arguments both for and against each structure. These dilemmas are vey contextual and only strengthen the argument that no unique model is applicable for all situations. They have to be context specific.

DILEMMAS:

Community Based	Investor Owned
- Community Managed - Community (self) financed - Integrated (social & finance) - Non Profit/ Mutual benefit - Only for poor - 'Self regulated'	- Professionally managed - Accepting outside funds for on-lending - Minimalist (finance only) - For profit - For all underserved clients - Externally regulated.

The four pillars of microfinance credit system (Fig.1) are supply, demand for finance, intermediation and regulation. Whatever may the model of the intermediary institution, the end situation is accessibility of finance to poor. The following tables indicate the existing and desired situation for each component.
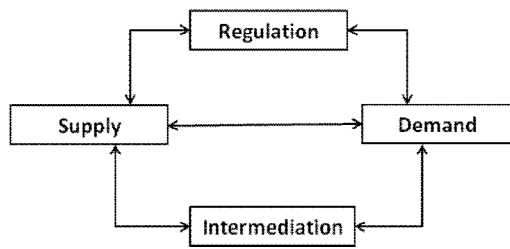
Figure: 1

DEMAND

Existing Situation	Desired Situation
• Fragmented • Community Managed • Undifferentiated • Addicted, corrupted by capital & subsidies • Communities not aware of rights and responsibilities	• Professionally managed • Organized • Differentiated (for consumption, housing) • Deaddicted from capital & subsidies • Aware of rights and responsibilities

SUPPLY

Existing Situation	Desired Situation
• Grant based (Foreign/ GOI) • Directed Credit- unwilling and	• Regular fund sources (borrowings/ deposits)

corrupt • Not linked with mainstream • Mainly focused for credit • Dominated	• Demand responsive • Part of mainstream (banks/ FIs) • Add savings and insurance • Reduce dominance of informal, unregulated suppliers.

INTERMEDIATION

Existing Situation	Desired Situation
• Non specialized • Not oriented to financial analysis • Non profit capital • Not linked to mainstream FIs • Not organized	• Specialized in financial services • Thorough in financial analysis • For Profit • Link up to FIs • Self regulating

REGULATION

Existing Situation	Desired Situation

• Focused on formal service providers (informal not regulated) • Regulating the wrong things e.g. interest rates • Multiple and conflicting (FCRA, RBI, IT, ROC, MOF/ FIPB, ROS/ Commerce) • Negatively oriented	• Include/informal recognize e.g., SHGs • Regulate rules of game • Coherence and coordination across regulators • Enabling environment

10. CONCLUSION

Some valuable lessons can be drawn from the experience of successful Microfinance operation. First of all, the poor repay their loans and are willing to pay for higher interest rates than commercial banks provided that access to credit is provided. The solidarity group pressure and sequential lending provide strong repayment motivation and produce extremely low default rates. Secondly, the poor save and hence microfinance should provide both savings and loan facilities. These two findings imply that banking on the poor can be a profitable business. However, attaining financial viability and

sustainability is the major institutional challenge. Deposit mobilization is the major means for microfinance institutions to expand outreach by leveraging equity (Sacay et al 1996). In order to be sustainable, Micro finance lending should be grounded on market principles because large scale lending cannot be accomplished through subsidies.

A major conclusion of this paper is that microfinance can contribute to solving the problem of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrowers without imposing unbearably high cost of monitoring its end-use upon the lenders.

A promising solution is to provide multi-purpose loans or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income.

Eventually it would be ideal to enhance the creditworthiness of the poor and to make them more "bankable" to financial institutions and enable them to qualify for long-term credit from the formal sector.

Microfinance institutions have a lot to contribute to this by building financial discipline and educating borrowers about repayment requirements.

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Corporate Social Responsibility & Sustainability Towards Emerging Markets

**Dr. Kalpana Sahoo,

ABSTRACT

Emerging economy like India has drawn the attention of large MNCs for the potential of market growth. These markets are untapped and give entirely new domain for operations. However many MNCs also take the markets for granted and exploit the laxity in the norms of operations to their advantage. The lack of concern for the local community, the consumers and the environment by these corporations has created large scale public debate and action. It is important in this context to understand that the sustainable business growth is associated with care for the community and markets. In this scenario, there is an increased focus on the social role of these private enterprises by both the proponents and opponents of liberalization in India. In this paper we analyze the fundamental changes in paradigm of corporate social responsibility and the new innovative practices being applied for its implementation in the last decade in India, in the context of the liberalization of the Indian economy. This paper highlights the importance of CSR in emerging markets and how corporations have a large role to play in society. Consequently, there has been a revolution in implementation of corporate social responsibility programs at the ground level.

Key words: **Corporate Social Responsibility, Emerging Markets, Market Change, Dimensions of CSR, New paradigms for Emerging Economy.**

INTRODUCTION:

The meaning of Corporate social responsibility (CSR) does not only indicate the contribution made by corporation for community simply in charitable activities but also to design, integrate and practice community development programmes as the part of their core business programmes & strategies in such a way that both company and the concerned stakeholder(s) are benefited. It is the obligation of companies to serve the society. In other words, CSR is

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commitment of business enterprise towards its stakeholders to satisfy their interest through ethical and moral actions. The interests of stakeholders may be different to different segments of the society. Thus, the meaning of corporate social responsibility also varies across the interests of stakeholders. It is the sustainable economic development for the nation, good working environment for employee, employment and welfare for community, profit to the shareholders, quality goods and services to customer and so on. It is the general feeling among the stakeholders that the organization has done beneficial activities to improve quality of life at utmost level without impeding the common interests of the people at large. A business decision of a company may be favorable to a particular stakeholder but the same decision may adversely affect other stakeholder(s). Thus, companies are required to analyze the impact on all stakeholders while making business decisions. The World Business Council for Sustainable Development (WBCSD, 2000) defines CSR as "…the continuing commitment by business to behave ethically and contribute to

economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. CSR is about capacity building for sustainable livelihoods. It's about business giving back to society". Corporate social responsibility is a comprehensive term, which denotes such responsible and ethical business actions that provide advantages to the concerned stakeholders and company.

Corporate Social Responsibility (CSR), can be described as, the continuous commitment by corporations towards the economic and social development of communities in which they operate. The concept of corporate social responsibility of large industrial groups has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Gandhi described large business as 'trusts' of the 'wealth of the people' and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. In the early days of the post- independence period, the Indian state under the heavy influence of Nehruvian socialism encouraged private industries to play an active role in the

economic and social development of the backward sections of the society, while at the same time setup a mammoth public sector for serving larger societal interests. As Nehru's gentle socialism gave way to the more radical policies of nationalization and extensive state regulation of the Indira Gandhi era, industrial groups desperate to avoid the draconian state policies and regulations in economic affairs resorted to large scale corporate welfare programs to demonstrate that private wealth also played an important role in poverty alleviation and socio-economic development of the nation and was not anti-people.

An impending crisis in Indian economy led the Rajiv Gandhi and Narashima Rao governments to dismantle the 'license raj'[i] and introduce much-needed economic reforms in the country, which marked the beginning of the economic liberalization and the free market economy in India. The major impact of these economic reforms has been the increased presence of transnational corporations in the country and transformation of Indian businesses into large global enterprises. In this scenario,

there is an increased focus on the social role of these private enterprises by both the proponents and opponents of liberalization in India.

Corporate Social Responsibility:

The conceptualization of corporate social responsibility up till the 1990s was purely in terms of philanthropy or charity. Welfare programs or initiatives were introduced not as a duty or a responsibility but as a form of charity that was supposed to indicate the virtues of the company or the organization. Many industrial groups like the Tatas and Birlas set up charitable trusts that provided financial grants for various worthy causes. Although there were some cases where the corporation took up a more active role like the establishment of the Birla Institute of Technology, Pillani, by the Birlas or setting up of primary schools by several major industrial groups for their workers 's children but even in these cases the approach was philanthropical. This philanthropy based model has several problems:

- The corporation does not commit its resources fully for such a project and often confines itself to

one-time or periodical financial grants.

- Since it's an act of charity, the corporation does not feel the need for community participation in the designing or management of such initiatives and people participation, if any, is restricted to limited implementation aspects reducing the efficiency and effectiveness of corporate social responsibility measures at the ground level.

- The lack of involvement from the primary resource provider i.e. the corporation leads to low levels of accountability and transparency at the implementation level

However, the post-liberalization phase has seen a fundamental shift from this philanthropy-based model of corporate social responsibility to stakeholder-participation based model. The change is evident in the statements about corporate social responsibility being made by India's leading industrial groups like the Tatas. The nature of the company's involvement with the community has undergone a change. It has moved away from charity and dependence on

empowerment and partnership and the consistent transformation in their corporate social responsibility practices in the last decade. In the stakeholder model the community in which the corporation is present is seen as a stakeholder in the company and, therefore, the company has certain obligation and duties towards its other stakeholders (customers, employees, shareholders). It is a recognition of the fact that companies perform in non-financial arenas such as human rights, business ethics, environmental policies, corporate contributions, community development, corporate governance and workplace issues and company should be held accountable for its 'triple bottom-line' that includes social, environmental, and financial performance and not just the financial aspect.

The question that arises at this juncture is what the reasons for this shift in the basic paradigm in corporate social responsibility in the post-liberalization era are. John Samuel and Anil Sari have argued that this transformation has been the result of three reasons, namely:

- Recognition of the importance of 'reputation capital' for capturing and sustaining markets. Therefore corporate social responsibility is basically a new business strategy to reduce investment risks and maximize profits by taking all the key stakeholders into confidence.

- The growing importance attached to the 'eco-social' stability i.e. social and environmental stability and sustainability is necessary for the survival of a free-market economy in the long run

- The importance being attached to accountability, transparency and social and environmental investment as the key aspects of corporate governance in the era of globalization.

While both these arguments are pertinent, we would venture to supplement them by drawing attention to two other important reasons for the basic shift in the corporate social responsibility model. Firstly, the post-liberalization phase saw the increased presence of large transnational corporations like IBM in India which have highly developed corporate social responsibility initiatives based on the stakeholder participation model that

were introduced in India by them. The success and effectiveness of these programs had a 'rub-off' effect on Indian enterprises, which were also operating in the same market, in their approach to corporate social responsibility initiatives. Secondly as Indian industry started competing in the developed markets of Europe, America and the Far East it had to comply with entry level norms like certification for responsible corporate practices like ISO 14000, SA 8000, AA 100 as well as compliance codes formulated by OECD and UN Global Compact which meant that they had to adapt new corporate social responsibility standards. Whatever be the reason, this change in the conceptualization of corporate social responsibility to stakeholder participation model has led to drastic change in the planning, management and implementation of corporate social responsibility.

The Emerging Markets:

The term 'emerging market' was originally coined by IFC to describe a fairly narrow list of middle-to-higher income economies among the developing countries with stock markets in which foreigners could buy securities.

The term's meaning has since been expanded to include more or less all developing countries. World Bank (2002) says that developing countries are those with a Gross National Income (GNI) per capita of $9,265 or less. The World Bank also classifies economies as low-income (GNI $755 or less), middle-income (GNI $756–9,265) and high-income (GNI $9,266 or more). Low-income and middle-income economies are sometimes referred to as developing countries.

The evolution of CSR in these developing economies shows widely varying results. Chambers, Chapple, Moon and Sullivan (2003) evaluate the extent of CSR penetration in seven Asian countries (India, Indonesia, Malaysia, the Philippines, Singapore, South Korea and Thailand). Many researchers have hypothesized that CSR in emerging economies is still in a very nascent stage and suitable mechanisms do not exist to ensure that companies practice CSR with anything other than a charitable outlook. Kemp (2001) states "There are numerous obstacles to achieving corporate responsibility, particularly in many developing countries where the institutions, standards and appeals system, which give life to CSR in North America and Europe, are relatively weak." Chambers, Chapple, Moon and Sullivan (2003) measure the extent of CSR penetration in the seven Asian companies and show that the mean value for the seven countries (even including industrially advanced Japan) is just 41% compared to say a score of 98% for a developed nation like the United Kingdom.

However, there are exceptions to the mean scores. India for example had an average CSR penetration of 72% compared to Indonesia's 24%. The concept of CSR as visualized in the emerging markets and the developed countries have very different understanding.

Market Change:

Companies are beginning to realize the fact that in order to gain strategic initiative and to ensure continued existence, business practices may have to be moulded from the normal practice of solely focusing on profits to factor in public goodwill and responsible business etiquettes (Reynard and Forstater, 2002).

An examination of some of the factors which have led to the development of the concept of corporate social responsibility (CSR) would be ideal starting ground for the conceptual development of suitable corporate business practices for emerging markets. The current trend of globalization has brought a realization among the firms that in order to compete effectively in a competitive environment; they need clearly defined business practices with a sound focus on the public interest in the markets (Gray, 2001).

Structural and global market changes in information and communications industries are necessitating change in how the developmental state relates to this sector regionally. Typically, the Asian developmental state has used a set of policy instruments including 'conditionality' (usually necessitating joint ventures with governments or domestic firms and local content requirements) and special incentives to attract foreign investment in the information and communications sectors. In parallel, governments have maintained control over the ventures in order to shape them to domestic economic growth and developmental goals (Leftwich, 1995). For example, in

the telecommunications sector, whilst some Asian governments undertook partial privatization programs in the early 1990s in the telecommunications sector, many of them kept controlling shares of up to 80 per cent (Lovelock, 1998). Yet with most Asian developing countries joining the World Trade Organization, telecommunications deregulation and liberalization have been mandated and privatization encouraged. Privatization is on the horizon for other reasons as well. In the wake of the Asian crisis, most governments do not possess the ability to promise the huge levels of investment needed by this rapidly changing sector. In the information sector in the region, global demand for semiconductors and hi-tech equipment is driving export growth, and integrating Asian producers further into the global economy for Internet infrastructure, making this sector one of the most dependent on global, rather than national, markets.
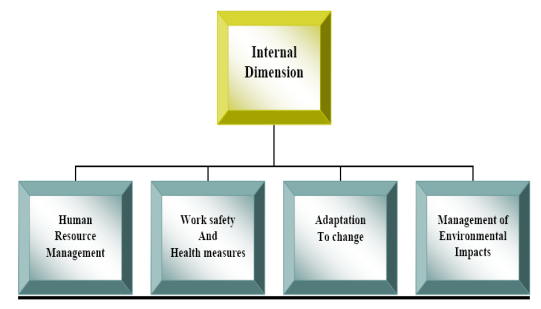
Dimensions of CSR:

The Green Paper (2001) by the Commission of the European Communities identifies two main dimensions of CSR: an internal

dimension relating to practices internal to the company and an external dimension involving the external stakeholders.

Internal Dimension

This relates to practices internal to the company which need to be modified to incorporate CSR practices. The various components of the internal dimension of CSR
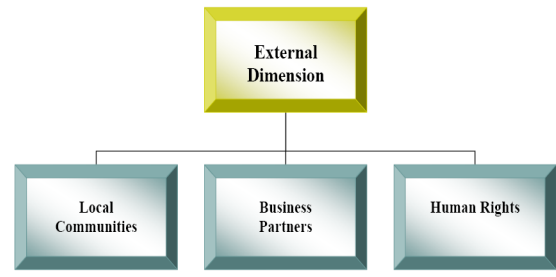
FIGURE-1

External Dimension

This dimension relates to practices concerning external stakeholders. The significance of this dimension of CSR has come to the forefront with the advent of globalization leading to the development of international standards for business practices.

FIGURE-2

New paradigms for Emerging Economy:

The last decade has seen a mad rush amongst multinational companies to gain first mover advantages in emerging markets by establishing operations and subsidiaries. However most of the firms have found out to their cost that local competition was not as easy to overcome as they had thought with matters made being worse by cut throat competition amongst the multinationals themselves. Most multinationals are beginning to realize that loss making operations cannot be continued year after year under the pretext of investment for future expectation of profits. It is high time that the local subsidiaries start to deliver profits of their rather than continuing to act as sinks of the firm's global resources.

According to Dawar and Chattopadhyay (2000) "Local operations now realize that the three to five percent of consumers in emerging markets who have global preferences and purchasing power no longer suffice as the only target market. Instead, they must delve deeper into the local consumer base in order to deliver on the promise of tapping into billion-consumer markets". Batra (1999) argues that the usual business strategy of using products that have been historically successful in developed nations will not work in emerging markets. Prahlad and Lieberthal (1998) point out that companies must make the transition in their business strategy of 'thinking globally' to 'thinking locally' as each of the merging markets represents an intriguing challenge for marketing with its vast diversities existing across nations and even within nations in culture and socio economic conditions. It is in marketing across such diverse cultures and varying conditions that the concept of corporate social responsibility becomes critical to success. In this paper, we will focus on two main paradigms of marketing in which CSR plays an important part.

A) Customer Segmentation and Consumer behaviour

There is an urgent need for modifying currently existing customer segmentation techniques. While segmentation based on finer product features may have been successful in the industrially advanced nations, such fine distinctions may not strike a cord with consumers in the emerging markets. This is amply demonstrated in the case of consumer products like toilet soaps where market segmentation techniques in the developed nations are based on value provided by products, like fragrance, anti-aging etc. However the mass market in emerging economies with lesser sophisticated consumers may not be compliant to such fine segmentation. Segmentation techniques will need more careful analysis of consumer behavior with significant input from demographic data. For example, Dawar and Chattopadhyay (2000) point out that "Here, consumers dislike products that evolve too rapidly, making their recent purchases obsolete. Instead, the need is for basic, functional, long lasting products. The Volkswagen Beetle remained the largest selling car in Brazil long after it had been phased out of the affluent

markets and despite competitive assaults by other manufacturers with newer models. The largest selling car in China is still the Volkswagen Santana, a model that was phased out of developed markets 15 years ago." Thus clearly, in depth analysis of consumer behavior is necessary in emerging markets although the level of customer sophistication may be less. Here CSR has an important role to play especially in building up trust in the minds of the consumers. In an emerging market where consumers are looking for functional products which last longer and accelerated obsolescence is not a problem like in developed markets, the consumer perception about the company brand assumes significance. A company which builds the image of producing quality products that last longer though they may not be on the cutting edge of technology will actually be able to gain strategic advantage in emerging economies.

B) Distribution

Emerging markets, especially those in Asia have posed significant distribution challenges to multinational companies. Often companies have had to abandon distribution systems tried and tested in developed nations and start developing a customized distribution mechanism specific to the country of operation.

Dawar and Chattopadhyay (2000) estimate that there are 9 million small independently owned grocery shops in China that have limited working capital and typically occupy fewer than 300 square feet. Multi layered distribution systems have to be used although this increases the distance between the manufacturers and consumers. Yet in order to achieve volume levels necessary to overcome the thin margins prevalent in emerging markets, this is sometimes absolutely necessary.

CSR is instrumental in relationship building with retailers. Building relationships in a fragmented retail environment requires an understanding of retailers' interests. Successful manufacturers creatively develop new revenue activities for the retailer. Batra (1999) illustrates the example of United Phosphorous Limited (UPL), an Indian crop protection company, which realized its lost opportunity due to the fact that in its rural markets small farmers were not applying pesticide at all, or applying it inappropriately due to the lack of application equipment. Most farmers were unable to afford the huge capital cost of the equipment. UPL

turned this into their advantage by designing a programme to arrange bank loans for the purchase of application equipment and educated the farmers on additional revenue possibilities from renting the equipment resulting in an added revenue stream for rural retailers and additional sales of pesticides.

CONCLUSION:

Emerging economies like India have drawn the attention of large MNCs for the potential of market growth. These markets are untapped and give entirely new domain for operations. However many MNCs also take the markets for granted and exploit the laxity in the norms of operations to their advantage. The lack of concern for the local community, the consumers and the environment by these corporations has created large scale public debate and action. It is important in this context to understand that the sustainable business growth is associated with care for the community and markets the corporations operate in. The negative publicity caused by the actions of MNCs has led to suspicion about their operations in the general public in these markets.

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Impact of Macroeconomic Variables on Indian Stock Market and Strategies for Investors - Post Global Financial Crisis

*Ms Pallavi Kudal

ABSTRACT

World had not even come out of the global debt crisis of 2008 and yet another setback came in the form of recent Euro zone crisis. Whole world is in deep trouble and is affected badly by the global economic slowdown and India is no exception. We have far less ammunition now than in 2008 to fight back recession. Rather, India is now facing cascading effects of global economic slowdown. Retail inflation in India is in double digit at 10.03 percent. India registered 5.5 per cent economic growth rate in April-June period this financial year, the worst first quarter performance in a decade. Moreover Rupee is at all time low, exports have seen a setback and oil prices are ever increasing. All these economic factors have surely affected Indian stock markets.

It is believed that economy and markets are very closely integrated but a question arises that: Is there any causality between them? It is said that the activities in the economy have reflections on the financial markets, to what extent is this true? Also are variables themselves integrated or do they possess causality amongst them? This paper attempts to examine the relationship amongst various macro economic variables and using these relationships, we try to fit in the regression equation so as to forecast the stock market. Further we aim at finding out the relevant strategies for investors to make profit in such volatile markets.

Stock market is one of the major economic reflectors. Indian economy is currently trying to fight back recession and emerge out as a major global power. Due to low labor cost and skillful manpower sectors like textile, garments, manufacturing, banking and insurance has made a significant contribution to foster the growth potentials of the economy. The Structural Adjustment Program adopted in1991 had focused on stabilization and structural reforms in this respect, which is the changeover from inward orientation to outward strategies, has generated euphoria in the stock market. Hence the "opening up" of the economy has been successful in spreading its tentacles over the economy.

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There are several factors which are directly or indirectly related to stock prices. Here we have observed stock market behavior on Bombay Stock Exchange sensitive index (BSE). Also we have considered the following determinants: Oil prices, Gold price, Cash Reserve Ratio, Call money rate, Dollar price, FDI, Foreign Portfolio Investment and Foreign Exchange Reserve. We have taken into consideration the Multicolinearity problem among different independent variables and attempted to eliminate it. We have used statistical methods to do the analysis based on monthly values of different macroeconomic factors. We attempted to apply factor analysis and find out the significant factors affecting the Sensex value.

We have tried to find out the optimal equation of the BSE Sensex. The optimality problem is represented as Multiple Regression keeping in mind the problem of Multicolinearity. To find out the optimal equation we have used SPSS 17.0 software.

Key words: Global financial crisis, multicolinearity, regression, factor analysis

1.1 Background to the Study – There has been wide research conducted on topics related to stock market i.e. more and more researchers and scholars have been interested in knowing what factors have been causing movements in the stock market? If this would have been possible, not only that it would give investors a big chance to make returns more than the risk undertaken but also result in making super normal profits.

The research conducted in the field by many scholars has been undertaken to understand the market movements with respect to micro economic factors i.e. company specific; macro economic factors i.e. markets with the real economy; event specific studies i.e. stock market movements at the announcement of Mergers and Acquisitions, Dividend announcements, stock splits, and many other Industry/Company specific announcements.

Our research basically is about understanding stock market's integration with real economy, though this relationship is very specific and varies from country to country. Thus it is assumed that activities in any economy directly and indirectly affects

and is connected with the stock market. Hence a question to be investigated arises: is there any causality between stock markets and macroeconomic variables? Also we wish to find the relationship between macroeconomic variables and use them to forecast the index movement in the future.

1.2 Purpose of Study – The stock market being one of the prime avenues for investments, it becomes important to understand the factors that affect it and thereby forecast the future trend of the same. The main purpose of the study is to understand and find relationship between stock market and economic variables and get insights of the movement in the index at an academic level. Once a relationship is set we even wish to analyze the strategies of growth.

1.3 Significance of Study – The research has been conducted by the sophisticated econometric techniques like Factor Analysis, Multiple Regression using the economic past data obtained from authentic database like MCX, RBI, BSE, etc.

1.4 Overview of BSE Sensex – The stock index taken in this study for consideration is Bombay Stock Exchange, Mumbai SENSEX (Sensitivity Index) the oldest stock exchange in Asia after initial outcry system change to BOLT (BSE online trading

system) the trading increased a lot and probably highest in terms of market breadth across the country. This exchange is also the highest in terms of listed companies and market capitalization across the country and enjoys the pride of providing capital to all leading corporate companies in India. Hence it is felt that this is probably the leading financial indicator which can be considered in this study.

2 Literature Review

During the past few decades, researchers have shown a keen interest in developing various methods in order to predict decisions regarding share markets. In this review, we have attempted to describe and review some previous research works related to our topic. To begin with Gopi K. Prachetas , Mihir Dash (2012) has studied the impact of macroeconomic factors like Balance of Trade, Index of Industrial Production, Money Supply (M3), MIBOR Rates, FOREX Reserves, Inflation (based on the Wholesale Price Index), and INR/USD and INR/EURO exchange rates on Sensex returns. They found out that the most significant impact on SENSEX returns was from MIBOR.

Arijit Ghosh, Gautam Bandyopadhyay, Kripasindhu Choudhuri, (2011) in their paper, have used Linear Programming Problem to trace the optimal conditions of primary factor to ascertain optimal value of BSE Sensex keeping in view the various constraints. The various macroeconomic variables that have been taken for study include Gold Prices, Dollar Prices, FDI, Forex Reserves, CRR, Inlfation, Call Money, FPI and Crude Oil Prices.

Maysami et al (2004) studied the long-term interrelationship between selected macroeconomic variables, including inflation, industrial production, money supply, exchange rates and interest rates, and the Singapore stock market index, using vector error correction model. They concluded that all the above macroeconomic variables have an impact on the Singapore stock market index.

Ray and Vani (2003) performed a similar study on Indian stock markets. Their study considered macroeconomic variables such as the index of industrial production, broad money supply (M3), fiscal deficit, wholesale price inflation, INR/USD exchange rate, SBI prime lending rate, and Foreign Institutional

Investments. They used Vector Auto Regressive and Artificial Neural Networks in their analysis. The study identified the index of industrial production, inflation, money supply, exchange rates and interest rates as key real economic variables affecting Indian stock markets.

John Mauldin (2003) reported in an article of Swiss America Trading Corporation on the relationship between oil prices and stock prices, where he found strong evidence that changes in oil prices forecast stock returns. This predictability is especially strong in the developed countries markets. Among his chosen 12 of the 18 countries, changes in oil prices significantly predict future market returns on monthly basis. Predictably, a rise on oil price suggests a lower stock market and a drop in oil price infers a rise in stock prices.

Naka et al (1998) studied the impact of macroeconomic variables, including the index of industrial production, consumer price index, narrow money supply-M1 and money market rate in the Bombay interbank market, on Indian stock markets. They used vector error correction model (VECM) for this purpose. They found domestic inflation

and domestic output growth to be key macroeconomic indicators affecting Indian stock markets.

In their paper, Kenneth E. Homa & Dwight M. Jaffee (1971) have used stock price as a dependent variable and supply of money as an independent variable. In this study the relationship between the money supply and the stock market is estimated using the techniques of regression analysis.

The article of R. Smyth and M. Nandha (2003) examines the relationship between exchange rates and stock prices in Bangladesh, India, Pakistan and Sri Lanka using daily data over a six-year period from 1995 to 2001. Both the Engle-Granger two-step and Johansen co-integration methods suggest that there is no long-run equilibrium relationship between these two financial variables in any of the four countries. The causality tests conducted by Granger indicated that there is unit-directional causality running from exchange rates to stock prices in India and Sri Lanka, but in Bangladesh and Pakistan exchange rates and stock prices are independent.

Most of the empirical literature that has examined the stock prices-exchange rate relationship has focused on examining this relationship for the developed countries with very little attention on the developing countries. The results of these studies are, however, inconclusive.

Some studies have found a significant positive relationship between stock prices and exchange rates (for instance Smith (1992), Solnik (1987), and Aggarwal (1981)) while others have reported a significant negative relationship between the two (e.g., Soenen and Hennigar (1988)). There are some studies that have found very weak or no association between stock prices and exchange rates (for instance, Franck and Young (1972), Eli Bartov and Gordon M.Bodnor (1994)).

The study by Naeem Muhammad and Abdul Rasheed (2001) uses monthly data on four South Asian countries, which include Pakistan, India, Bangladesh and Sri- Lanka, for the period January 1994 to December 2000. They employed co-integration, vector error correction modeling technique and standard Granger causality tests to examine the long-run and short-run association between stock prices and exchange rates. The results of this study indicate that there is

no short-run association between the said variables for all four countries.

Aggarwal (1981) explored the relationship between changes in the dollar exchange rates and change in indices of stock prices. He uses monthly U.S. stock price data and the effective exchange rate for the period 1974-1978. His results, which were based on simple regressions, showed that stock prices and the value of the U.S. dollar is positively related and this relationship is stronger in the short run than in the long run.

Soenen and Hanniger (1988) employed monthly data on stock prices and effective exchange rates for the period 1980-1986. They discovered that there exists a strong inverse relationship between the value of the U.S. dollar and the change in stock prices. However, when they analyzed the above relationship for a different period, they found a statistical significant negative impact of revaluation on stock prices.

Amare and Mohsin (2000) examine the long-run association between stock prices and exchange rates for nine Asian countries (Japan, Hong Kong, Taiwan, Singapore, Thailand, Malaysia, Korea, Indonesia, and Philippines). They use monthly data from January 1980 to June 1998 and employed co-integration technique. The long-run relationship between stock prices and exchange rates was found only for Singapore and Philippines. They attributed this lack of co-integration between the said variables to the bias created by the "omission of important variables". When interest rate variable was included in their co-integrating equation they found co-integration between stock prices, exchange rates and interest rate for six of the nine countries.

3 Data and Research Methodology
3.1 Introduction
Our research is about finding the regression equation with stock market being the dependent variable with respect to other variables. The data is quantitative and is collected from the authentic sources like RBI, MCX, BSE, etc. The data involves different macro-economic variables.

3.2 Objectives
Our basic objective is to find correlation and causation between macro-economic variables and the stock markets and to find regression equation that can help forecast future trend of Sensex.

3.3 Research Questions

Q.1. How are different macroeconomic variables related to the stock market? What is the correlation between stock market and macroeconomic variables?

Q.2. How is the Sensex expected to move in the future, based on regression equation as calculated?

Q3. What are the best strategies which investors should adopt in coming future?

3.4 Independent Variables under study

3.4.1 Gold Prices

Gold is the oldest precious metal known to man and for thousands of years it has been valued as a global currency, a commodity, an investment and simply an object of beauty. Gold is primarily a monetary asset and partly a commodity. Gold is the world's oldest international currency. It is an important element of global monetary reserves. With regards to investment value, more than two-thirds of gold's total accumulated holdings is with central banks' reserves, private players, and held in the form of high-karat jewellery. Less than one-third of gold's total accumulated holdings are used as "commodity" for jewellery in the western markets and industry.

3.4.2 FDI and FPI

FDI (Foreign Direct Investment) refers to international investment in which the investor obtains a lasting interest in an enterprise in another country. Most concretely, it may take the form of buying or constructing a factory in a foreign country or adding improvements to such a facility, in the form of property, plants, or equipment. FDI is calculated to include all kinds of capital contributions, such as the purchases of stocks, as well as the reinvestment of earnings by a wholly owned company incorporated abroad (subsidiary) and the lending of funds to a foreign subsidiary or branch. The reinvestment of earnings and transfer of assets between a parent company and its subsidiary often constitutes a significant part of FDI calculations. FDI is more difficult to pull out or sell off. Consequently, direct investors may be more committed to managing their international investments and less likely to pull out at the first sign of trouble.

On the other hand, **FPI (Foreign Portfolio Investment)** represents passive holdings of securities such as foreign stocks, bonds, or other financial assets, none of which entails active management or control of the securities' issuer by the investor. Unlike FDI, it is very easy to sell off the securities and pull out the foreign portfolio

investment. Hence, FPI can be much more volatile than FDI. For a country on the rise, FPI can bring about rapid development, helping an emerging economy move quickly to take advantage of economic opportunity, creating many new jobs and significant wealth. However, when a country's economic situation takes a downturn, sometimes just by failing to meet the expectations of international investors, the large flow of money into a country can turn into a stampede away from it.

3.4.3 Foreign Exchange Reserves

Foreign exchange reserves (also called FOREX reserves) in a strict sense are only the foreign currency deposits held by central banks and monetary authorities. However, the term foreign exchange reserves in popular usage commonly includes foreign exchange and gold, SDRs and IMF reserve position as this total figure is more readily available and it is accurately deemed as official reserves or international reserves.

3.4.4 Oil Prices

Indian Scenario

India ranks among the top 10 largest oil-consuming countries. Oil accounts for about 30 per cent of India's total energy consumption. The country's total oil consumption is about 2.2 million barrels per day. India imports about 70 per cent of its total oil consumption and it makes no exports. India faces a large supply deficit, as domestic oil production is unlikely to keep pace with demand. India's rough production was only 0.8 million barrels per day. The oil reserves of the country (about 5.4 billion barrels) are located primarily in Mumbai High, Upper Assam, Cambay, Krishna-Godavari and Cauvery basins. Government has permitted foreign participation in oil exploration, an activity restricted earlier to state owned entities. Indian government in 2002 officially ended the Administered Pricing Mechanism (APM). Now crude price is having a high correlation with the international market price. As on date, even the prices of crude bi-products are allowed to vary +/- 10% keeping in line with international crude price, subject to certain government laid down norms/ formulae. Disinvestment/restructuring of public sector units and complete deregulation of Indian retail petroleum products sector is under way.

3.4.5 Exchange Rate (Dollar Price)

Apart from factors such as interest rates and inflation, the exchange rate is one of the most important determinants of a country's relative level of economic health. Exchange

rates play a vital role in a country's level of trade, which is critical to every free market economy in the world. For this reason, exchange rates are among the most watched analyzed and governmentally manipulated economic measures.

A higher currency makes a country's exports more expensive and imports cheaper in foreign markets; a lower currency makes a country's exports cheaper and its imports more expensive in foreign markets. A higher exchange rate can be expected to lower the country's balance of trade, while a lower exchange rate would increase it. But exchange rates matter on a smaller scale as well: they impact the real return of an investor's portfolio. The exchange rate of the currency in which a portfolio holds the bulk of its investments determines that portfolio's real return. A declining exchange rate obviously decreases the purchasing power of income and capital gains derived from any returns.

3.4.6 Call Money

Money loaned by a bank that must be repaid on demand. Unlike a term loan, which has a set maturity and payment schedule, call money does not have to follow a fixed schedule. The funds can be obtained quickly.

Brokerages use call money as a short-term source of funding to cover margin accounts or the purchase of securities. They know that they are taking on risk by using funds that can be called at any time, so they typically use call money for transactions that will be resolved quickly. If the bank recalls the funds then the broker can issue a margin call on its clients in order to make the repayment. The call money rate is used as the interest rate on the loans.

3.4.7 Cash Reserve Ratio (CRR)

CRR is the percentage of Net Demand and Time Liabilities (NDTL) that scheduled commercial banks must maintain with the RBI as cash. Demand refers to savings and current account and time liabilities refer to fixed deposits. CRR is a very important tool of monetary policy. The central bank with CRR monitors the money supply in the market. If too much liquidity is there in the market, central bank may increase CRR and vice versa. If RBI decides to increase the percent of this, the available amount with the banks comes down. RBI uses this method (increase of CRR rate) to drain out the excessive money from the banks.

3.5 Research Model

Correlation Analysis is carried to find the relationship between BSE Sensex and the

selected macroeconomic factors. Factor Analysis is carried out to categorize the determinants into groups. Eventually the crucial factors among Oil prices, Gold price, Cash Reserve Ratio, Call money rate, Dollar Price, F D I, Foreign Portfolio Investment and Foreign Exchange Reserve (Forex) are traced out using the above methodology. Further we fit a Multiple Regression Model to the data set and carryout the analysis to examine the impact of the determinants affecting Sensex and at the same time computing the degree of association among the determinants. We have collected each sector's three years database on monthly basis from specific sources. In this paper we found out the optimal equation of the BSE Sensex. To find out the optimal equation we have used SPSS 17.0 software to solve the problem.

4. Empirical Studies and Results
Data

The sample includes data of BSE Sensex, Oil prices, Gold price, Cash Reserve Ratio, Call money rate, Dollar price, F D I, Foreign Portfolio Investment and Foreign Exchange Reserve (Forex) on monthly basis for the period from Jan 09 to Nov'11.

The empirical results are presented here in the different subsections.

Correlation Analysis

Here we used Pearson correlation analysis. It determines the extent to which values of the two variables are "proportional" to each other.

Correlation Analysis of different determinants in comparison to BSE Sensex

sensex	1
gold	0.511954
FDI	-0.0663
FPI	0.112521
Dollar Price	-0.78689
Crude oil	0.809596
Forex Reserve	0.366546
Call Money	0.466582
CRR	0.648286

Factor Analysis: The analysis aims at finding the major factors which have an impact on the BSE sensex. First the check for multicolinearity between various factors is done. From the correlation coefficient table the significance values are scanned. Determinant of this matrix is vital for testing for multicolinearity (variables that are highly correlated) or singularity (variables

that are perfectly correlated). As with regression, singularity causes problems in factor analysis because it becomes impossible to determine the unique contribution to a factor of the variables that are highly correlated.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.684
Bartlett's Test of Sphericity	Approx. Chi-Square	244.415
	Df	28
	Sig.	.000

This table is very important part of the output: the Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett's test of sphericity. KMO statistics varies between 0 and 1. A value of 0 indicates diffusion in the pattern of correlations (hence, factor analysis is likely to be inappropriate. For these data, the value is 0.684 which is more than 0.5 and therefore factor analysis is appropriate for this data.

Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix. For these data, Bartlett's test is highly significant ($p < 0.05$) and therefore factor analysis is appropriate.

This table lists the eigen values associated with each linear component before extraction, after extraction and after rotation.

SPSS has identified 8 linear components within the data set (we know that there should be as many eigen values as there are factors). The eigen values associated with each factor represent the variance explained by that particular linear component. The table also displays the eigen values in terms of the percentage of variance explained (so factor 1 explains 51.848% of total variance). It is clear that first few factors explain relatively large amount of variance whereas subsequent factors explain small amount of variance. According to the matrix the first three components explains 81% of the change in the independent variables. Since there exists a combination among independent variables within this data set as confirmed by the previous tests, data reduction is necessary. In this regard the original data set is converted to groups on the basis of principal components. This is done by extraction method.

Now, factors with eigenvalues greater than 1 are extracted which leave us with 3 factors that are rotated. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the

relative importance of the three factors is equalized.

Thereby using the extraction method via Principal component analysis the communalities are computed.

This is a table of communalities. Principal component analysis works on the initial assumption that all variance is common, therefore before extraction communalities are all 1. The communalities in the column labeled 'Extraction' reflect the common variance in the data structure. So, for example we can say that 96.4% of the variance associated with gold is common or shared variance. Another way to look at these communalities is in terms of the proportion of variance explained by the underlying factors.

Scree Plot
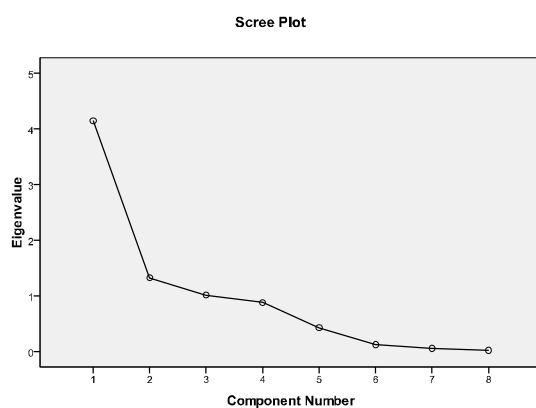
This is the screen plot that shows the eigen values of various components. Now, three factors are extracted based on eigen values greater than 1.

Regression Analysis

"Factor 1"= -8.646 + 8.280E-5*GOLD + .125*CALL MONEY +2.945E-6*FOREX RESERVE + .000*CRUDE OIL + .327* CRR

"Factor 2"= 20.546 - .442 DOLLAR PRICE + 6.045E-5*FPI

"Factor 3"= -2.038 +0.001*FDI

"BSE SENSEX"= 16542.456 + 1680.160 *FACTOR 1(i.e. GOLD, CALL MONEY, FOREX RESERVE, CRUDE OIL AND CRR) + 1963.333 * FACTOR 2(i.e. DOLLAR PRICE AND FPI) + 17.839 * FACTOR 3(FDI)

The impact of the determinants affecting Sensex has been captured statistically by the multiple regression models. Regression analysis is conducted between factor score1 with respect to corresponding variables i.e.; Gold, Forex Reserve, Call Money, Crude Oil and CRR. The model summary shows that it is able to explain 98% of the variation in Factor score 1 due to the above mentioned variables. Further regression is carried out with respect to factor score 2 corresponding to variables Exchange rate (Dollar Price) and FPI. The model summary reflects that 93% is explained by factor score 2. Another regression is conducted between factor score

3 and FDI where the model summary explains 91% variation is due to FDI.

Final regression is carried out between BSE Sensex with respect to factor score 1, factor score 2 and Factor score 3. In this case, the overall model is statistically significant. It explains 75% of the variation in the dependent variables by the independent variables.

Conclusion

The investigation reflects that optimal value of the Sensex is 17,212.72. This optimal value is obtained when Gold is 29,072.11, FPI is 2166, Forex Reserve is 1504697. 3802, Call Money Rate is 8.9, Exchange Rate is 45.9, Crude Oil is 6288.3, CRR is 4.75 and FDI is 2270. All these values of macroeconomic variables are assumed from the average of future expectations. Further they are put in the equations to find the values of factor 1, 2 and 3. Finally the calculated factor values are used in the regression equation to derive the optimal value of Sensex.

Several other factors like Government Policies, political turbulence, investor confidence and social variables affects fluctuations in BSE Sensex which can be analyzed statistically in future studies. Due to the constraints on data base we have not considered the impact of political factors on BSE Sensex. Here we have analyzed eight independent variables but more quantitative factors can be included in further research. The nonlinear dimension is yet to be explored.

1) Total Variance Explained

Comp onent	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulativ e %	Total	% of Variance	Cumulativ e %	Total	% of Variance	Cumulati ve %
1	4.148	51.848	51.848	4.148	51.848	51.848	4.023	50.288	50.288
2	1.324	16.549	68.397	1.324	16.549	68.397	1.404	17.551	67.839
3	1.016	12.705	81.103	1.016	12.705	81.103	1.061	13.263	81.103
4	.880	11.002	92.105						
5	.427	5.341	97.446						
6	.124	1.553	98.999						
7	.058	.729	99.728						
8	.022	.272	100.000						

Extraction Method: Principal Component Analysis.

2) Communalities

	Initial	Extraction
gold	1.000	.964
FDI	1.000	.920
FPI	1.000	.349
dollarprice	1.000	.866
crudeoil	1.000	.805
forexreserve	1.000	.888
callmoney	1.000	.894
crr	1.000	.803

Extraction Method: Principal Component Analysis.

Regression 1   Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-8.646	1.215		-7.117	.000
	gold	8.280E-5	.000	.326	3.420	.002
	callmoney	.125	.032	.236	3.947	.000
	forexreserve	2.945E-6	.000	.258	3.458	.002
	crudeoil	.000	.000	.120	3.653	.001
	crr	.327	.111	.153	2.945	.006

Regression 2 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	20.546	1.089		18.875	.000
	dollar price	-.442	.023	-.847	-19.009	.000
	FPI	6.045E-5	.000	.398	8.928	.000

Regression 3 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.038	.116		-17.585	.000
	FDI	.001	.000	.959	19.384	.000

Final Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	16542.456	261.258		63.319	.000
A-R factor score 1 for analysis 1	1680.160	265.072	.565	6.339	.000
A-R factor score 2 for analysis 1	1963.333	265.072	.660	7.407	.000
A-R factor score 3 for analysis 1	17.839	265.072	.006	.067	.947

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Determinants of Consumer Choice on Private Banking: A Case Study from Sabaragamuwa University of Sri Lanka

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Abstract

Customer choice for a bank is a physiological phenomenon and it varies with each consumer. The future of any economic entity is determined by the customer choice. Private Banks use various strategies to attract customers to face the high competition in the private banking industry in Sri Lanka. The main objective of the study is to identify consumer characteristics and factors affecting the consumer choice on private banking. Primary data was mainly used for the study and was collected through a questionnaire. 80 academic staff members and 120 nonacademic staff members, who transact from Sabaragamuwa University of Sri Lanka, were selected by using convenience sampling method. Binary logistic regression model was used to identify the determinants while using dependent variable as using private sector bank (1) or not (0). Study found that additional benefits provided by the bank, distribution of the banking network, location of the bank and self preference are the important factors that the customers consider before selecting a bank. Whether technology innovations increase or reduce customer satisfaction very much depends on the need and the expectation of the customers. The most significant fact revealed by the study is that religion and race of the person are not the basic reasons for selection of a private bank. Majority of the sample used Commercial bank to satisfy their transaction activities. Another interesting finding is that maintaining a saving account is the major transaction activity occuring between the bank and customer.

Key words: Consumer choice, Determinants, Private banking

INTRODUCTION

General public requires various forms of money transactions. Most of these transactions require different services from the banking sector to perform better. According to that it can be said that, most people are able to deal with banks in their day to day life and complete their transactions safely. In Sri Lanka, almost every one over the age of 18 has at least one account with the bank. The services most of people are

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familiar with include savings, loans, investments and credit card.

A bank is an institution which deals with money and credit. It accepts deposits from the public and makes the funds available to those who need them. Also, it helps to send money from one place to another (Paul, 1994).

Banks can be classified into various types on the basis of their functions, ownership, domicile, etc (Paul, 1994). When ownership of a bank considered, it can be classified into three categories as public banks, private banks and cooperative banks. Among them private banks still exist today, although there may be various requirements in their formation in each country.

Private Banks in all countries meet their customers' financial needs by supplying a range of services in convenient locations under the management of qualified staff. There are of course differences in the details of the services offered in different countries and there are significant differences in the extent of the range of services some banks are permitted to offer or wish to offer. (Coulback, 1984)

It is important to bear in mind that although the bank offers services, the customer has only financial needs. Bank services must be adapted to match and satisfy customer needs and this is why the range of services must evolve continually. Customers have financial management needs. They also have more general needs for a service, which in every case offers convenience, security, efficiency, a good price, professional advice if needed, reliable information if needed, and assistance with financial planning. The order of priority of these general needs varies from one segment of the market to another and from one customer to another.

Increased competitions by new players from non-banking sector, product innovations, globalization, and technological advancement, have led to a market situation where battle of customers is intense (Mattila, 2002). In order to rise to the challenges service providers are even more interested to enhance their understanding of customer behavior patterns and also future bankers should be multiskilled to serve the various demands of the customers. (Reddy & Appannaiah, 2000).

The journey that banking and finance in Sri Lanka has from Independence to date

is one that closely reflects the policy framework of successive governments and the growing status of the economy (Indraratna, 1998). Before 1825 there were no banks in Sri Lanka. The first bank to be set up was a private institution established by Mr. Jeronis Peiris and Mr. Louis Peiris in Kandy in 1828. It was called the Bank of Kandy and was established in the early days of the coffee era with a view to meeting the needs of expanding commerce and trade. That is the first joint stock commercial bank in the country (Karunatilaka, 1986).

At the time of independence, the financial system in Sri Lanka was elementary and fragmented. It provided the needs of a colonial economy. It was no more different to the financial systems that prevailed in the other British colonies in needs and expectations vary across countries and differ according to age and educational level (Eng & Lin, 2002).

Private Banks are highly leveraged institutions that depend heavily on customer choice and there a number of empirical research studies on private banking industry. Customers need timely access to banking services and have less time to spend at banks and prefer the convenience of long distance banking. People were accustomed to associating convenience with doing business in their neighborhood and not traveling to a bank across town (Lumpur & Jaya, 2002). In a study by Evans (1979), it was contended that bank selection was dependent on two different sets of criteria, namely convenience and service beliefs. A study conducted by Robertson and Bellenger (1978) concluded that convenience was not an important factor. But Davidson (1969) conducted two surveys and found that 89 percent of the respondents chose the bank because of convenience of location. Brandt (1980) concluded that convenience of location was the most important attribute in bank selection.

In 2006, Selvaretnam, G. conducted survey on long term v/s short term interest rates in a model of adverse selection. Findings suggest that to get the attraction of customer, the banks can offer a menu of contracts with different combinations of long and short term interest rates to those who withdraw early and wait respectively. This is a principle–agent model of a bank in a competitive market and depositors,

on the determinants of consumer choice on private banks, is an important extension of the banking researches and valuable addition to literature.

Results

Table 1* presents the information relating to personal attributes of the respondents. The respondents are well educated with 45% holding at least a first degree and majority of the respondents occupying nonacademic position. And also, this suggests that more than 50% of the respondents were males. Thus, the survey response can be relied upon to the extent that more than 90% of respondent are Sinhalese and Buddhists. Only 29% of the respondents were youths. One important fact comes in lime-light - the numbers of staff members living in rural areas are twice the number of academics and non academics living in urban areas.

Figure 1: Distribution of the Banking Sector
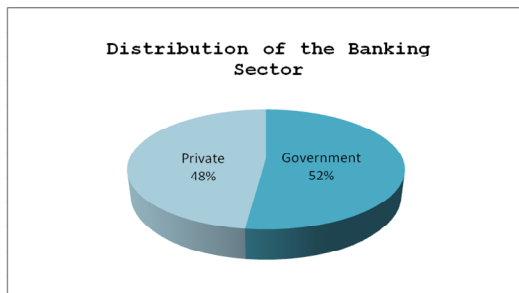
Source: Survey data, 2008

According to the above figure 1, there is a small difference noticed between the number of customers dealing with the public and private banks.

Table 2* indicates that, saving is the major activity happening between bank and the customer. In fact it is double the amount of all other purposes. The amount of staff members using banks to maintain a current account is twice the people getting help from banks on representative services.

According to table 3*, the respondents whose opinion about the location of a private bank and additional benefits provided by the bank is affected for the selection of that bank is close to double

Figure 2: Customers' View on Banking Efficiency
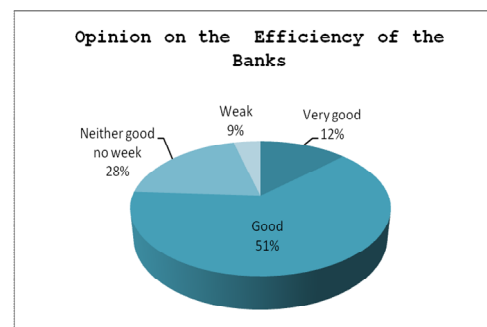
Source: Survey data, 2008

According to the figure 2, more than half of the academic and non academic staff members agree with the idea of efficiency of the banking activities as a high standard.

Figure 3: Customers View for Banking Technology
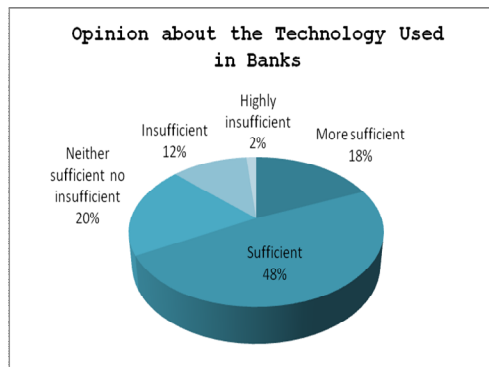
Source: Survey data, 2008

Figure 3 presents findings on the customers view about the technology used in banks. It can be concluded that the technology used by the banks should be of a sufficient level. According to this figure, more than 50% of the customers agree with that idea.

TEST THE INDEPENDENCE OF VARIABLES

It is essential to test whether there is a relationship between the dependent variable and independent variables. For that chi-square test was used under 5% level of significant.

HYPOTHESIS

H1a: Selection of private bank is dependent on the technology used by bank.

H1b: Selection of private bank is dependent on the location of the bank.

H1c: Selection of private bank is dependent on distribution of the banking network.

H1d: Selection of private bank is dependent on the self interest of consumer.

H1e: Selection of private bank is dependent on nature of efficiency of that bank.

H1f: Selection of private bank is dependent on the additional benefits provided by bank.

H1g: Selection of private bank is dependent on the advertising used by bank.

According to the results of chi square test, location of the bank, distribution of the banking network, self interest, technology used by the bank, advertising and additional benefits provide by the bank were significant. That means all those determinants affect the selection of a private bank.

LOGISTIC REGRESSION ANALYSIS

In this study about seven variables are considered and series of models has been fitted by adding and removing the variables in order to assess whether all seven variables are necessary for prediction or whether any could be dropped. Results are judged using AIC (Akaikes' Information Criterion), likelihood ratio test. Also, p-value (at

hen the variable 'network' was significant. The model with all those four variables is as follows.

$$Logit(\Pi_{ijkl}) = \beta_0 + \beta_i^{Benifit} + \beta_j^{Location} + \beta_k^{self\ int\ erest}$$
$$+ \beta_l^{Network}$$

All the main effects are considered and it can be concluded that, none of the models are significant after the model with four variables. That means, the models with five variables, six variables and seven variables are also not significant.

Then, check the significance of the models with interaction terms. According to those outcomes the models with interaction terms are not significant. So, all interactions were ignored from the model and the model without interactions was considered.

As a final point, considering the overall result, the final significant model can be shown as bellow and there are no interaction terms with regards to this model.

$$Logit(\Pi_{ijkl}) = \beta_0 + \beta_i^{Benifit} + \beta_j^{Location} + \beta_k^{self\ int\ erest}$$
$$+ \beta_l^{Network}$$

In this model there are 200 binary observations and success is happening 95 times. The deviance of the resulting model is 0.9282. For that reason, it is possible to conclude that the model is

good because the value of the deviance is close to one. In addition to that, the P-values related to the parameters in the model are significant at 5% level. This summarizes that the model is in the condition of significance.

The estimated regression coefficient for the final model is mentioned in table 4.6. Findings of this study indicate that self interest, banking network, location of the bank and additional benefits provided by banks are significant. Customer who selected a private bank by considering the location of the banking institution is around 3 times than the customers who do not consider the location of the bank. Also, the number of customers who selected a private bank due to self interest is around 3 times the customers who did not select a bank due to self interest. Also, the customers who selected a private bank for their financial purpose, under the distribution of banking network, are about 2 times the customers who selected a bank not under the distribution of the banking network. Moreover, the customers who selected a bank to satisfy daily needs by considering the additional benefits provided by bank is around 3 times compared to the customers who selected

bank not due to additional benefits provided by bank.

Conclusion

The primary purpose of this study is to identify the determinants of consumer choice on private banking. In particular, the study examines the private banks that people use mostly for their transaction purposes and type of transaction that mostly happened between customer and bank.

One interesting and disturbing finding is that the additional benefits provided by the bank to its customer are a very important determinant for selection of a private bank. Paying for credit cards and other types of bills, giving winning opportunities by drawing chances, e-banking and mobile banking services, ATM facilities, workshops held to improve knowledge and mobile top up services are some benefits given by the banks. By giving these conveniences banks satisfy their regular customers and attract more customers. Also, the result of this study concludes that the customers placed location and self interest as the most import factors on the selection of a private bank. Another factor pointed out by this study for select the private bank is the distribution of the banking network. Regardless of the

structure, private banking products and services are not only confined to a bank's domestic headquarters. These services are also frequently offered to customers throughout any bank's global network of affiliated entities, including branches and representative offices in any region of the world. Because of this, people can use the bank services anywhere, at any time, to fulfil their financial needs and wants. Determinants due to various social and economic reasons (e.g. race, religion) do not influence cases for that but also several other motives such as the quality of service, good acceptance, good organization and self-confidence about the banking institution.

Results of the logistic regression analysis indicate that bank technology innovations increase or reduce customer satisfaction very much depending on the need and the expectation of the customers. These needs and expectations vary across educational level. The most significant fact revealed by the study is that religion and race of a person is not the basic reason for selection of a private bank. So, banks should realize customers' needs and find effective ways to satisfy these needs irrespective of their religion and race. There is a disparity between the use of private

banks and government banks due to the residency of the individuals. That means urban customers deal with private banks rather than government banks.

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Another interesting finding is that maintaining a saving account is the major transaction activity taking place between the bank and customer. Fulfilling credit needs is the second important activity occurring among bank and client. People save for immediate needs, emergencies, safety and future purposes. Under these reasons saving became a major operation. Commercial bank is the private bank that the financial people highly use for their transaction activities. The reason for this are the technology that bank currently uses, efficiency, the number of benefits provided by that bank and good reception and customer friendly service.

The findings of this study should be viewed in light of a few limitations. For this research the data have been collected from the academic and non academic staff of Sabaragamuwa University. That means, this research considers only limited geographical area. Also, the impact of these selected factors might be rather different in another country because the sample included only Sri Lanka. And there may

be several other external and internal factors influencing the selection of a bank that have not been considered here.

Recommendations

Customers like to be treated as an important individual and not just a consumer. If customers have to wait for a long time in a queue or for a transaction to be completed, they may feel that they are not in control of the situation. Therefore, banks should find effective ways to understand this position. Also, all bankers should be forced to convert to the new methods of reaching their customers, such as convenient new way of doing banking at home, ways to manage their accounts 24 hours a day and to check their balances from anywhere in the world. It should be mentiond that due to mergers banks are able to offer more full service branches and ATM machines. This is more convenient to the customers and it also creates bank loyalty. Private banks will also need a cadre of highly trained relationship managers with the expertise to understand clients' diverse needs. Futhermore it should make private banking more efficient by providing more products to consumers, preserving bank safety and soundness, promoting investor protection and creating an environment in which banks can keep

the required privacy of the customer. To make a real impact, banks should change their mind set, better utilize their IT, human resources and capabilities and move towards more cost-effective common or shared IT platforms, which will help improve customer services and financial inclusion.

Table 1: Respondents' Background Information

Source: Survey data, 2008

Background Information	Proportion of the respondents (%)
Gender	
Male	53
Female	47
Total	**100**
Age (Years)	
Under 25	2
26-30	27
31-35	27
36-40	30
41-45	11
Over 45	3
Total	**100**
Race	
Sinhala	96
Tamil	2.5
Muslim	1.5
Total	**100**
Religion	
Buddhism	90
Christian	5
Hindu	3
Islam	2
Total	**100**
Level of Education	
Secondary School	55
Degree	23
Postgraduate	22
Total	**100**
Position in the organization	
Academic	40
Nonacademic	60
Total	**100**
Residential sector	
Rural	40
Sub urban	37
Urban	23
Total	**100**

Table 2: Distribution of the Type of Transactions

Source: Survey data, 2008

Type of Transaction	Number of staff members (%)
Maintain a saving account	62.46
Maintain a current account	7.77
Regarding a credit	23.63
Regarding a representative service	3.88
Regarding a business activity	0.32
Other	1.94

Table 3: Respondents' View on Factors Considered for Private Banking

Source: Survey data, 2008

Factor	Affected (%)	Not affected (%)
Location of the bank	63	37
Banking Network	46	54
Self interest about the bank	57	43
Additional benefits provided by the bank	69	31

Table 4: Results for Initial Model

Source: Survey data, 2008

Variables	Parameter	DF	Estimate	Deviance	LR value	Pr> Chisq
Advertise	Intercept	1	-0.3939	1.3429	-132.9449	0.0204
	Advertise	1	1.0604			0.0013
Efficiency	Intercept	1	-2.7726	0.9678	-94.8418	0.0071

	Efficiency 1	1	5.9081			<.0001
	Efficiency 2	1	3.3094			0.0016
	Efficiency 3	1	0.6523			0.5595
Location	Intercept	1	-1.0445	1.2869	-127.4070	<.0001
	Location	1	1.4435			<.0001
Self Interest	Intercept	1	-0.3285	1.3880	-137.4146	0.1329
	Self Interest	1	0.3987			0.1661
Network	Intercept	1	-0.5705	1.3355	-132.2161	0.0044
	Network	1	1.0124			0.0005
Benefits	Intercept	1	-1.3749	1.0109	-100.0780	<.0001
	Benefits	1	2.7750			<.0001
Technology	Intercept	1	-23.3654	1.3293	-129.6094	<.0001
	Technology 1	1	23.6373			<.0001
	Technology 2	1	23.6350			<.0001
	Technology 3	0	22.7463			.
	Technology 4	1	22.0844			<.0001

Table 5: Estimated regression Coefficients for Final Model

Source: Survey data, 2008

Parameter	DF	Estimate	Standard error	Chi square	Pr > Chisq
Intercept	1	-6.5868	1.0147	42.14	<.0001
Location	1	3.3848	0.6095	30.84	<.0001
	0	0.0000	0.0000	.	.
Self Interest	1	2.9374	0.6247	22.11	<.0001
	0	0.0000	0.0000	.	.
Network	1	2.5001	0.5494	20.70	<.0001
	0	0.0000	0.0000	.	.
Benefit	1	3.2399	0.4986	42.23	<.0001
	0	0.0000	0.0000	.	.

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Conceptual framework and historical prospective of corporate social responsibility

*Poonam Rani, **Sunita Godara

ABSTRACT

In this review article, the primary subject is to articulate a conceptual framework and historical perspective of corporate social responsibility. Although social responsibility was in existence from pre-industrialisation period but the term corporate social responsibility was articulated during 1950s. Then some new dimensions like corporate citizenship and political view of corporate social responsibility have been discussed during 1960s. Corporate social responsibility got proliferated during 1970s after introduction of same new models like CON model, stakeholder view of corporate social responsibility, corporate social performance. 1980s was the decade of empirical research like 2×2 matrix, Organisation-Environment model. From 1990s to till now concept of CSR is expanding continuously. In this article authors made a small attempt to organise these historical events into a chronological order.

Key words:- corporate social responsibility, corporate social performance, social responsibility, corporate citizenship, business ethics and value, political, stakeholder.

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INTRODUCTION

According to the Kautilya"s Arthshasthra "In the welfare of people lies the kings welfare and in their happiness his happiness" (Jose, 2003). Same rule is applicable on business groups from here the Corporate Social Responsibility came into existence although this term is not novel for western corporate world. "During 1930"s after failing of stockholder model, developed countries adopted stakeholder model" (Khan, 2008). " Due to strong institutional environment in these countries, the policies and activities related to Corporate Social Responsibility are better as compare to developing countries"(Dobers, Halme, 2009). And If we talk about Corporate Social Responsibility within developing countries, "Then china seems to be least communicative on a no. of Corporate Social Responsibility issues" (Alon, Lattemann et al

2010).Whereas in India , on one side there are a lot of initiatives taken by big giants like " TATA Group (established TATA steel rural development society), Birla Group (Build 15 Hospital and 78 schools), Mahendra and Mahendra (established K.C. Mahendra education trust)" etc .(Sagar, Singla, 2004a) and On the other side there is lack of trust on corporate sector as well like a false massage spread about ICICI Bankruptcy and as a result people start withdrawing their money as fast as they could.

Although there are a lot of research work have been done on this area, but still a gap exist. No single research give complete historical perspective of term Corporate Social Responsibility right from the beginning (1850s) to latest updates (2011).

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From this paper we tried to cover all paradigm shifts in Corporate Social Responsibility and tried to fulfil this gap.

OBJECTIVE Keeping all these views in our mind we made an attempt fulfil the following objective.

• To give Conceptual framework of Corporate Social Responsibility.

• To give Historical prospective and evolution of Corporate Social Responsibility.

CONCEPTUAL FRAMEWORK OF CORPORATE SOCIAL RESPONSIBILITY

Conceptual framework of Corporate Social Responsibility is not only limited to definition of Corporate Social Responsibility but also cover other dimensions like divers of adopting the Corporate Social Responsibility, major barriers which corporate phases while adopting it and the areas which are covered under the purview of Corporate Social Responsibility.

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large." (World business council for sustainable development, 2000)

"Corporate Social Responsibility is a business process wherein the institution and the individuals within the institution and the individuals within are sensitive and careful about the direct and indirect effect of their work on internal and external communities nature and the outside world". (Indian NGOs.com, 2003).

"A concept where by companies integrate social and environment concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (Commission of the European communities, 2004).

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Fig: 1 (Faisal, 2010) & (Arevalo, Aravind, 2011)

suggested list of barriers which is quoted below
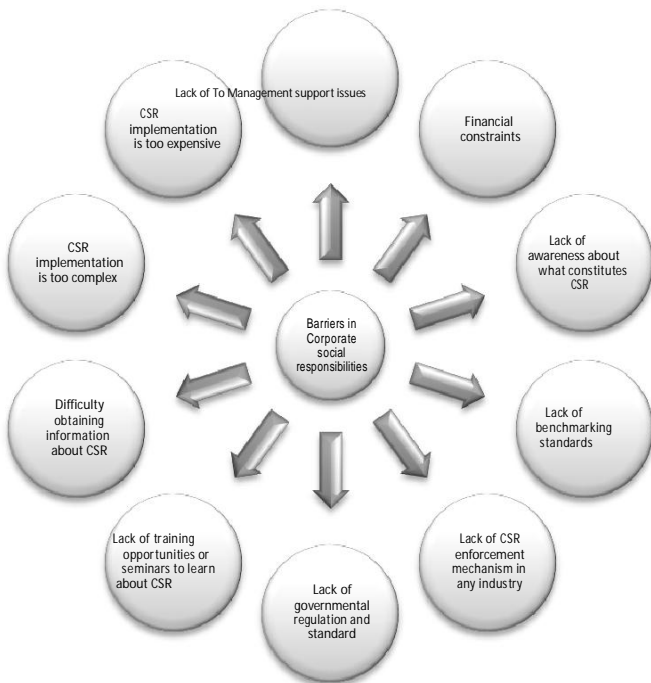
Fig:2 (Sagar, Singla, 2004b), (Arevalo, Aravind, 2011) and (Warhurst& Mitchell 2000) cited some reasons for adopting Corporate social responsibility and we presented them below in pictorial form.
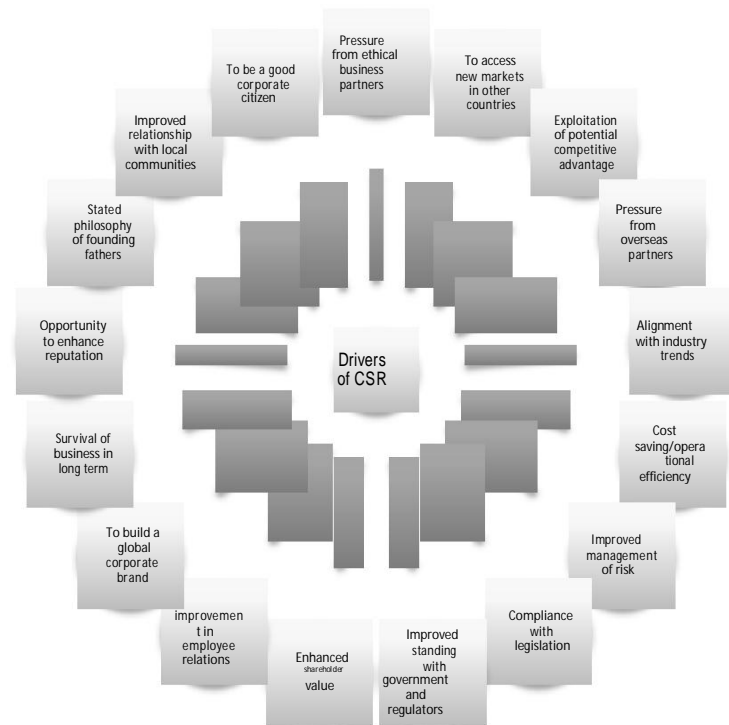
- Arevalo J.A. and Aravind D. (2011). "Corporate social responsibility practices in India: approach, Drivers, and barriers". Corporate Governance, Vol. 11 Iss: 4 pp. 399 – 414

- Faisal NishatMohd. (2010), "Analysing the barriers to corporate social responsibility in supply chains: an interpretive structural modelling approach Drivers for 3, International Journal of Logistics: Research and Applications Vol. 13, No. 3, pp 179–195.

- Sagar, P. & Singla, A. (2004a),"Trust and corporate social responsibility: Lessons from India", Journal of Communication Management, Vol. 8 Iss: 3 pp. 282 – 290.

- Warhurst, A. and Mitchell, P., (2000), "Corporate social responsibility and the case of Summitville mine. Resources Policy", 26 (2),pp. 91–102.

Fig: 3 (Sagar, Singla, 2004c) quoted some areas which are included under the purview of corporate social responsibility, although this is not the Exclusive list.

HISTORICAL PERSPECTIVE AND EVOLUTION OF CSR

To make it systematic we categories history into eight phases.
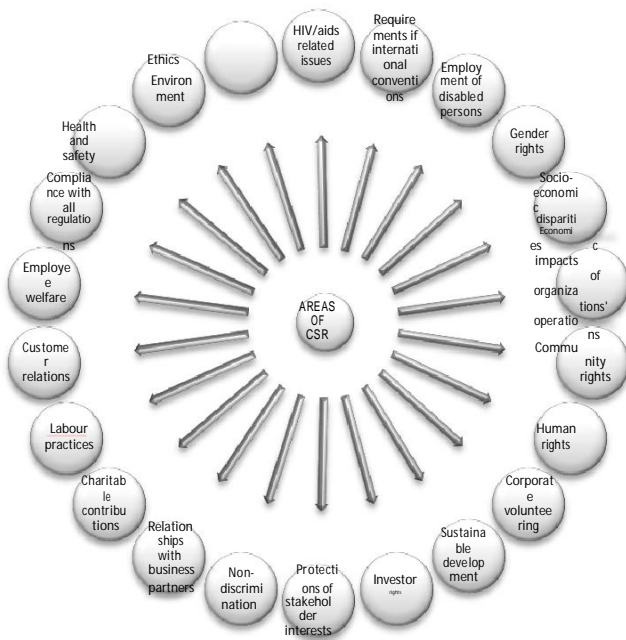
Phase 1: Till 1850s

Pre-industrialization period till 1850s the main drivers of corporate social responsibility were charity and philanthropy, where wealthy merchant serve the society by setting up temples.

Phase 2: 1940s

To new concept "Trusteeship theory and Business responsibilities were introduced during the era".

During Independent movement Mahatma Gandhi introduced "Trusteeship theory" according to which entrepreneur should consider themselves as trustee rather than owner of an organisation.

(Dempsey, 1949) in his article described the concept of social or contributively justice – the onus to contribute to the progress of the society. He proclaimed two reasons for this onus.

- He argued that no business is an island it needs a community in order to operate and prosper.

- Business has ability to subsidise to the progress of the society.

- Dempsey B.W. "The Roots of Business Responsibility" (1949).Harvard Business Review 27 (1949):393–404

- Sagar, P. & Singla, A. (2004a),"Trust and corporate social responsibility: Lessons from India", Journal of Communication Management, Vol. 8 Iss: 3 pp. 282 – 290.

Phase 3:1950s

There was paradigm shift in this era because first time the term corporate social responsibility was used.

The term Corporate social responsibility is coined with the publication of book by (Bowen, 1953), who is called as Father of corporate social responsibility. In (Ells, 1956) book he states that "a businessman has a principal duty to fight for the survival of a basically healthy social pattern that liberates man"s creative energies and to combat the suffocating forces of mandated conformity". In

(Heald, 1957) he pronounce a contemporary commencement of corporate social responsibility.

Phase 4:1960s

During this decade, corporate social responsibility not only got new dimensions but also criticised by some researchers. The major contribution of this era was introduction of political dimension of corporate

social responsibility, notions of corporate citizenship and business ethics. In India this was the era of command and control because there was an emergence of PSU"s.

The leading attempt to define corporate social responsibility made by (Keith Davis,1966) who gave social responsibility of businesses arise from the amount of social power that they have. He became famous for connecting social responsibility with business power.(Frederick ,1960) focused on changing the orientation of a business, in his terms the major responsibility of a business is to fulfil the expectations of the society and according to him a business should be in such a way that its production and distribution should augment social welfare.

In (Davis &Blomstram,1966) delineated social responsibility, as it refers to person"s obligation to consider the effects of his decisions and actions on the whole social system. Businessman apply social.

- Bowen, H. R. (1953), "Social Responsibilities of the Businessman" (Harper & Row, New York).
- Davis, K., & Blomstrom, R. L. (1966). "Business and its environment". New York: McGraw-Hill.
- Eells, R. (1956), "Corporate giving in a free society". New York.
- Frederick C. (1960). "The growing concern over business responsibility". California Management Review. 2, 54-61.
- Heald, M. (1957). "Management"s responsibility to society: The growth of an idea".

responsibility when they consider the needs and interest of others who may be affected by business actions in so doing they look beyond their firm"s narrow economic and technical interest.

In (Walton, 1967) he delineated social responsibility as it recognizes the intimacy of the relationship between the corporation and society and realizes that such relationship must be kept in mind by tip managers as the corporation and the related groups pursue their respective goals.

Phase 5:1970s

During this era, some new concepts like agency theory, concentric-circle (CON) model, citizenship, stakeholder view of corporate social responsibility, corporate social performance. (Friendman, 1970), he proposed agency theory according to which there is a relation of principal and agent between shareholder and manager. Shareholder (principal) hires Manager (agent) to

manage a particular firm, so this theory concludes that managers are responsible toward shareholder. In (Johnson, 1971) he gave four different view of corporate social responsibility.

- Stakeholder view

- Profit maximisation

- Utility maximisation view

- Lexicographic view

Committee for economic development (CED, 1971) in its publication, the business is being asked to assume broader responsibilities to society than ever before and to serve a wider range of human values. Business enterprises in effect are being asked to contribute more to the quality of American life than just supplying quantities of goods and services. Future of business will depend on the quality of management"s response to the changing expectations of the public.(Steiner, 1971) he gave a philosophy that looks at the social interest and the enlightened self-interest of business over the long-run as compared with the old narrow short-run self-interest.

- Committee for Economic Development (1971), "Social responsibilities of business corporations". New York.
- Friedman, M. (1970). "The social responsibility of business is to increase profits". New York Times magazine. pp. 122-126.
- Johnson, H. L. (1971). "Business in contemporary society: Framework and issues". Belmont, CA: Wads worth.
- Walton, C. C. (1967). Corporate social responsibilities. Belmont, CA: Wadsworth.

Committee for Economic Development (CED) (1971) adopted Concentric circle(CON)model.

ECONOMIC

LEGAL

ETHICAL

PHILANTHROPIC
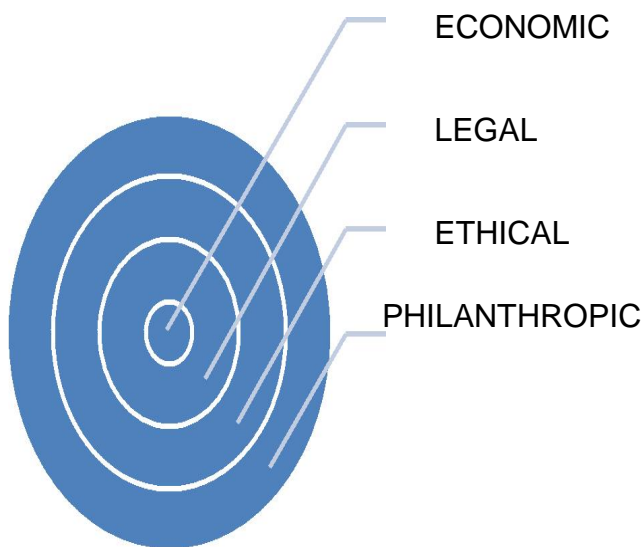
"Where inner circle represent the core responsibility of business that is earning profit and then the second inner circle includes the basic responsibility i.e. compliance with law followed by, intermediate circle include the responsibility to exercise the economic function with some basic ethical norms and then the Outer most circle which outline newly emerging and still amorphous

responsibilities. (Manne and Wallich, 1972) The modern corporation and social responsibility", to qualify as socially responsible corporate action a business expenditure or activity must be one for which the marginal return to the corporation are less than the returns available from sum alternative expenditure, must be purely voluntary and must be an actual corporate expenditure rather than conduit for individual largesse.

(Votaw, 1972) "Corporate Social Responsibility means something but not always the same thing to everybody." In short he focused on the subjectivity of corporate social responsibility.(Davis 1973) firstly introduced the idea of the firm as citizen, in his article , he discussed the diverse views of the well-known economist and reach to a conclusion that the social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirement of the law because this is what any good citizen do.

Two   other   writer

• Davis, K. (1973a). "The Case For and Against Business Assumption of Social Responsibilities".

Academy of Management Journal 16, 312–322.

• Manne, H. G., &Wallich, H. C. (1972), "The modern corporation and social responsibility".Washington, DC, "American Enterprise Institute for Public Policy Research".

• Votaw, D. (1972), "Genius Became Rare: A Comment on the Doctrine of Social Responsibility Pt",

California Management Review 15(2), pp. 25–31.

(Eilbert and Parket, 1973) in their article, focused on discussion regarding the gap between theoretical framework and actual implementation of corporate social responsibility practices. (Davis, 1973), he criticised corporate social responsibility by giving an argument that manager are lacking in social skill i.e., they are unable to take better socially oriented decisions and another reason is that business already have power so it will be harmful to give additional social power to it.

(Sethi, 1975) he asserted three concept, Social obligation, Social responsibility and social responsiveness and conclude that social responsibility goes beyond social obligation because social obligation is limited to external forces i.e., market forces and legal contents where as social responsibility includes corporate behaviour congruent with social values and norms. (Bowman

& Haire, 1975) in their Article, he studied the annual reports of a company and tried to determine the degree to which the companies were adopting corporate social responsibility. (Fitch, 1976) in his article, he stated problem solving prospective of corporate social responsibility. According to him paramount duty of a firm is to identify and solve a social problem. (Holmes, 1976) in her articles, She used primary data to know the perception of CEO"s from their firm"s social involvement and the criteria they used in choosing area of social involvement.(Enashoff and Freeman, 1978) he proposed stakeholder view of corporate social responsibility and stated two basic principles, (1) The central goal of any organization should be to achieve maximum over all co-operation between stakeholder groups and visions of the corporation,

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- Bowman, E. H &Haire, M. (1975), "Astrategic posture toward corporate social responsibility". California Management Review, 18, 49-58.
- Davis, K. (1973b). "The Case For and Against Business Assumption of Social Responsibilities". Academy of Management Journal 16, 312–322.
- Eilbert H., and Parket, I. R. (1973)."The current status of corporate social responsibility". Business Horizons, 16, 5-14.
- Enashoff, J. R. and R. E. Freeman (1978), "Stakeholder Management Working Paper from the Wharton Applied Research Centre (July)".
- Fitch, H. G. (1976), "Achieving corporate social responsibility". Academy of ManagementReview1, 38-46.
- Holmes, S. L. (1976). "Executive perceptions of corporate social responsibility". Business Horizons, 19, 34-40.
- Sethi, S. P. (1975), "Dimensions of corporate social performance: An analytic framework". California Management Review, 17, pp. 58-64.

(2) The Co-operation should adopt strategy; with simultaneously consider issue of multiple stakeholders. (Murphy, 1978) called 1960"s an awareness era and 1970"s as issue era of Corporate Social Responsibility. (Carroll, 1979) he first coined a term corporate social performance, which is an integration of three-dimension, corporate social responsibility, corporate social responsiveness and social issue.

(Zenisek, 1979) he developed a Model of a scale of corporate social responsibility that outline and corporate social responsibility four phases and concluded that business ethics and societal expectation should congruent.

(Carroll, 1979), he asserted that "The social responsibility of business encompasses the economic legal, ethical and discretionary expectation that society has of organization at a given point in time."

Phase 6:1980s

The major contribution of corporate social responsibility of this era was 2*2 matrixes, Organisation-Environment model, relationship between corporate social responsibility and financial performance, corporate social responsiveness concept, sustainable development etc.

(Dalton and Cosier, 1982), portrayed a 2*2 Matrix having legal and illegal on one side and responsible and irresponsible on other side and concluded the legal responsible as best strategy for corporate social responsibility. (DiMaggio and Powell, 1983) he connected CSR with organisational legitimacy and he categorise it into three parts that is pragmatic, moral and cognitive.

- Carroll, A. B. (1979), "A three-dimensional conceptual model of corporate social performance". Academy of Management Review, 4, 497-505.

- Dalton, D. R., & Cosier, R. A. "The four faces of social responsibility" (1982). Business Horizons, 19-27.

- DiMaggio, P.J. and Powell, W.W. (1983), "The iron cage revisited; institutional isomorphism and collective rationality in organizational fields". American Sociological Review, Vol. 48, pp. 147-60.

- Murphy, P.E. (1978), "An evolution: corporate social responsiveness. University of Michigan Business Review", November, pp. 20–22.

- Zenisek, T. J. (1979). Corporate social responsibility: A conceptualization based on organizational literature. Academy of Management Review, 4, 359-368.

(Strand, 1983) he concluded that corporate social responsibility depends upon organization-Environment-Model, because organization gets influence from environment. (Drunker, 1984), suggested that profitability and responsibility of a business should be companionable. He also suggested that an entrepreneur should social responsibility convert into business opportunity. (Rick and Cochran, 1985) they reorganised three concepts (corporate social responsibility, corporate social responsiveness, social issues) which had been introduced by Carroll in 1979. (Wartick and Rude, 1986) they defined the corporate social responsibility as the processes by which the corporation as identify evaluate and responded to that social and political issue which may affect significantly upon it.

(Frederick, 1986, 1994) he divided CSR into four categories CSR1, CSR2, CSR3, CSR4 where CSR1 include "corporation"s obligation to work for social betterment".CSR2 described "corporate social responsiveness as the capacity of a corporation to respond to social pressure". CSR3 author prepared some norms based on values and ethics.CSR4 he focused on the impact of religion and science on social issues.

World Commission on Environment and Development (Rundtland Report, 1987), the major responsibility of a firm is to achieve human development while taking into consideration present and future generation i.e., sustainable development.

- Drucker, P. F. (1984), "The new meaning of corporate social responsibility". California Management Review, 26, 53-63.

- Frederick, W.C. (1986). "Toward CSR3; why ethical analysis is Indispensable and unavoidable in corporate affairs". California Management Review, Vol. XXVIII, pp. 126-41.

- Strand R. (1983). "A Systems Paradigm of Organizational Adaptations to the Social Environment."

Academy of Management Review 8 : pp. 90–96.

- Wartick, L.S. and Rude R. E.: (1986a), "Issues Management: Corporate Fad or Corporate Function" ,

California Management Review 29(1), pp.124–132.

- Wartick, L.S. and Cochran P.L. (1985), "The Evolution of the Corporate Social Performance Model."Academy of Management Review 10: 758–69.

- World Commission on Environment and Development (1987), "Our Common Future" (Oxford

University Press,Oxford).

Phase 7:1990s

Some new concepts like corporate social performance model, Neo-classical approach of corporate social responsibility, pyramidal model, integrative social contract theory, normative ethical theory

(Wood, 1991) he retreated CSP concept and tried to find out the relationship between CSR (economic ,legal , ethical , discretionary) and CSP. (Brummer, 1991) he proposed a neo-classical approach of CSR.(Carroll, 1991) he prepared a hieratical view of his four part CSR definition, represented the economic responsibility at the bottom and philanthropy at the top and quoted that "firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen.
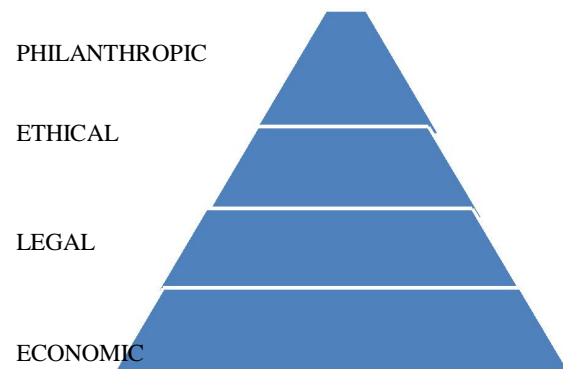
Fig:4

(Valasquez, 1992) he proposed the connection of corporate social responsibility with public good and conclude that, being a part of society a firm should contribute to the public good.

(Donaldson and Dunfee, 1994, 1999), they gave integrative social contract (ISCT) theory in which they integrate socio-cultural aspect with normative and empirical aspects of management. (Freeman, 1994) he proposed the idea for normative ethical theory.

• Brummer, J.J. (1991), "Corporate Responsibility and Legitimacy: an Interdisciplinary Analysis",
Greenwood Press, Westport, CT.

• Carroll, A. B. (1991, July/August), "The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders". Business Horizons, 34, 39-48.

• Donaldson, T. and Dunfee T.W. (1994), "Towards a Unified Conception of Business   Ethics:
Integrative Social Contracts Theory". Academy of Management Review 19, 252–284.

• Freeman, R. E. (1994), "The Politics of Stakeholder Theory: Some Future Directions". Business Ethics Quarterly 4(4), 409–429.

• Velasquez, M.: (1992), "International Business, Morality and the Common Good", Business Ethics
Quarterly 2(1),pp. 27–40.

• Wood, D.J. (1991), "Social issues in management: Theory and research in corporate social performance". Journal of Management, Vol. 17, pp. 383-406.

(Wood and Jones,1995) he developed a Corporate Social Performance (CSP) model which is given below:-

LEGITIMACY(public responsibility, managerial discretion)

Principles of social responsibility

ENVIRONMENTAL SCANNING(stakeholder management , issues management)

Processes of social responsiveness

Social impacts , social policies , social programs

Outcomes of corporate behavior

(Donaldson and Preston, 1995) he said that stakeholders have legitimate interest in firm activities and this interest should be accomplish by that firm. (Clarkson (1999) he introduced "Seven principles for stakeholder Management"

Phase 8:2000s

During this decade some new terms were coined like business case, generally agreed principles of corporate citizenship, venn diagram model of corporate social responsibility , intersecting circles model, triple bottom line principle of accounting, instrumental theories, political theories, integrative theories, ethical theories, three prespective (utilitarian, managerial and relational), four models of corporate social responsibility in India (Gandhian, Nehruvian, friedman and freeman model).

(World Business council for sustainable development, 2000) They connected sustainable development with Corporate Social Responsibility and define sustainable development, as it requires the integration of social, environmental and economic consideration to make balanced judgments for the long terms.

- Clarkson M. B. E. (1999), "Principles of Stakeholder Management (Toronto: The Clarkson Centre for Business Ethics".

- Donaldson, T. and Preston L.E. (1995) "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications". Academy of Management Review 20(1), 65–91.

- Wood, D.J. and Jones, R.E. (1995), "Stakeholder mismatching: a Theoretical problem in empirical research on corporate social Performance", The International Journal of Organizational Analysis, Vol. 3, pp. 229-267.

- World Business Council for Sustainable Development: (2000)," Corporate Social Responsibility: Making Good Business Sense (World Business Council for Sustainable Development, Geneve).

(Zadek, 2000) he broke down business case into four categories and concluded that a firm adopt CSR practices because of the following four reasons, to defend their reputation, to justify benefits costs, to integrate with their broader strategies and to learn, innovate, manage risk. (Freeman and Philips, 2002) they presented six principle of stakeholder theory. (Waddock, 2002) the introduced "Generally agreed principles of Corporate Citizenship."

(Mattern et al., 2003), he proposed three views of corporate citizenship, (a) A limited view, (b) A view equivalent to CSR (c) An extended view of corporate citizenship.(Schwartz and Carroll ,2003), He have proposed a Venn diagram frame work which include seven corporate social responsibility categories resulting from the overlap of three responsibility (Economical, Legal and Ethical).

- Freeman, R. E. and Philips R. A. (2002), "Stakeholder Theory: A Libertarian Defence". Business Ethics Quarterly 12(3), 331–349.

- Matten, D.,Crane A. and Chapple W. 2003. "Behind de Mask: Revealing the True Face of Corporate Citizenship". Journal of Business Ethics 45(1–2), 109–120.

- Schwartz, M. S. and Carroll A. B.: (2003), "Corporate Social Responsibility: A Three-Domain Approach", Business Ethics Quarterly 13(4), pp. 503–530.

- Waddock, S. A. (2002). Leading Corporate Citizens: Vision, Values, Value-added. New York: McGraw-Hill.

- Zadek, S. (2000). Doing Good and Doing Well: Making the Business Case for Corporate Citizenship. Research Report 1282-00-RR. New York: The Conference Board.
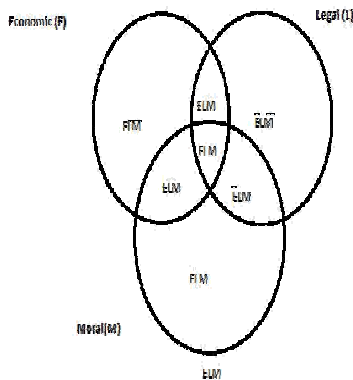
In 2003, Jones proposed interesting circles (IC) model, which is above. "The depiction of a three-domain CSR in a Venn diagram created eight sections: Seven inner and one outer. (Garriga,Mele 2004a) this paper suggested a pragmatic proposal to extend the traditional "bottom line" accounting which is limited to profitability to a "triple bottom line" that would include economic, social and environmental aspects of corporation along with profitability. (Garriga, Mele, 2004b) in his article corporate social responsibility theories mapping the

territory. (Balasubramanian et al., 2005: kumaretal., 2001)" He suggested that four models of social responsibility that operate in India, the ethical (Gandhian)model, the statist (Nehruvian)model, the liberal (Friedman)model, the stakeholder (Freeman)model.(Vogel, 2005), he tried to determined relationship between Corporate Social Responsibility and corporate financial performance and called it new world of Corporate Social Responsibility. (Frerick2006), he asserted three core ideas about Corporate Social Responsibility, which included corporate philanthropy, considering manager as public trustee and making optimum utilization of corporate resources. (Dahlsrud, 2006) he gave this five dimension of CSR these are stakeholder dimension, social dimension, economic dimension, voluntariness dimension, environmental dimension.

- Balasubramanian, N.K., Kimber, D. and Siemensma, F. (2005), „„Emerging opportunities or traditions reinforced?"", Journal of Corporate Citizenship, Vol. 17, pp. 79-92.
- Dahlsrud, A. (2006), "How corporate social responsibility is defined: an analysis of 37 definitions. Corporate Social Responsibility and Environmental Management". Available at : http://www.csr-norway.no/papers/2007_dahlsrud_CSR.pdf
- Frederick, W.C (2006), "Corporation, Be Good! The Story of Corporate Social Responsibility". Indianapolis, IN: Do gear Publishing.
- Garriga, E. and Melé, D. (2004b), "Corporate social responsibility theories: mapping the territory".Journal of Business Ethics, 53, 51–71.
- Geva A., (2008), "Three Models of Corporate Social Responsibility: Interrelationships between Theory, Research, and Practice" Business and Society Review pp. 1-41
- Vogel, D.J. (2005), "Is there a market for virtue, The business case for corporate social responsibility".

California Management Review, 47, pp. 19–45.

(Barnett ,2007), "He said that excessive corporate financial performance indicates that a firm is extracting more from society than it is returning and can suggest that profits have risen because the firm has exploited some of its stakeholder in order to favour shareholder and upper management" (Seechi ,2007) "utilitarian, managerial and relational

theories of CSR" he proposed three perspectives (utilitarian, managerial, relational) in order to differentiate various theory. According to utilitarian perspective problems in a business firm arrive from environment where as in managerial perspective problems arise from inside the firm. In last relational prospective focused on relation between business firm and external environment.(Frederick,

2008), he called 1960"s and 1970"s as a podium of Corporate Social Responsiveness.

(Kurucz, 2008) which quoted four benefits of Corporate Social Responsibility activities these are "Cost and Risk reduction, gaining competitive advantage, developing reputation and legitimacy, seeking win-win outcome through synergetic value orientation

Gera, 2008), he did a comparative analysis of three models Corporate Social Responsibility : Pyramid (IC MODEL) , Concentric circle(CON)Model, Intersecting Circle.(Committee Encourage Corporate Philanthropy 2009), they conducted a survey in 2007, compare it with 2006 and concluded that 71% of fortune 100 companies donating more in 2007 as compare to 2006.

- Barnett, M.L. (2007)."Stakeholder influence capacity and the variability of financial returns to corporate social responsibility". Academy of Management Review, 32, pp. 794–816.
- Frederick, W.C. (2008), "Corporate social responsibility: deep roots, flourishing growth, promising future". In Crane, A., McWilliams, A., Matten, D., Moon, J. and Siegel, D. (eds), The Oxford Handbook of Corporate Social Responsibility. Oxford: Oxford University Press, pp. 522–531.
- Geva A., (2008), "Three Models of Corporate Social Responsibility: Interrelationships between Theory, Research, and Practice" Business and Society Review pp. 1-41
- Kurucz, E., Colbert, B. and Wheeler, D (2008). "The business case for corporate social responsibility in crane,A.,McWilliams,A.,Matten,D.moon J and Siegel,D.(eds),The oxford handbook of corporate social responsibility . Oxford; oxford university press,pp.83-112.
- Secchi D. (2007), "Utilitarian, managerial and relational theories of corporate social responsibility"

International Journal of Management Reviews doi: 10.1111/j.1468-2370.2007.00215.x

(Carroll,Shabana,2010), "the business case refers to the underlying arguments or rational supporting why the business community should accept and advance the Corporate Social Responsibility is concerned with the primary question: What do the business community and organization get out of Corporate Social Responsibility". (Schever,Palazzo,2011), this paper supported political view of Corporate Social Responsibility of business in society by giving the argument that "due to globalization, the stick division of labour between private business and nation state governance does not hold any more.

CONCLUSION

This paper has sought to give conceptual framework and historical perspective of corporate social responsibility. As we noticed social responsibility do have ancient history but the term corporate social responsibility is not that much old. This term is articulated during 1950s. Then some new dimensions like corporate citizenship and political view of corporate social responsibility have been discussed during 1960s. Corporate social responsibility got proliferated during 1970s after introduction of same new models like CON model. 1980s was the decade of empirical research. From 1990s to till now concept of CSR is expanding continuously. We tried to cover its history from pre-industrialisation period to its latest updates till 2011.Although we tried to cover all major paradigm shifts but it is tough to cover each and every historical event occurred in corporate social responsibility. Therefore, there is scope of further research in this area.

- Carroll, A. B. and Shabana, K.M., (2010), "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice". International Journal of Management Reviews". pp. 1468-2370.

- Scherer G. A and Palazzo G. (2011), "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance", Journal of

Management Studies pp. 48:4

Risk Perception Of Online Banking With Special Reference To HDFC And ICICI Bank.

*Prof. (Dr.) Puja Walia Mann, **Prof. Manish Jha

Abstract

Internet banking is changing the banking industry and is having major effects on banking relationships. Even Morgan Stanley Dean Witter Internet research emphasized that Web is more important for retail financial services than for many other industries. Internet banking involves use of Internet for delivery of banking products & services. It falls into four main categories, from Level 1 - minimum functionality sites that offer only access to deposit account data - to Level 4 sites - highly sophisticated offerings enabling integrated sales of additional products and access to other financial services- such as investment and insurance. In other words a successful Internet banking solution offers a shift from the traditional way of standing in the queue and filling up all the forms to a range of hassle-free transactions with the bank. Every bank has its own features and some banks still do not have advanced features like transferring money to any bank across India, easy registration for net banking, etc. In a survey conducted by the Online Banking Association, member institutions rated security as the most important issue of online banking. There is a dual requirement to protect customers' privacy and protect against fraud. Online Banking via the World Wide Web provides an overview of Internet commerce and how one company handles secure banking for its financial institution clients and their customers.

The Study has been done specifically to find the nature of the problem that a customer faces while making an online transaction. Authors have taken the help of a structured Questionnaire which further has been analyzed using Chi-Square test to ascertain the risk perception in Online Banking.

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** Sr. Asst.Professor-Department of Management, Fairfield Institute of Management & Technology

1.0 HISTORY OF ONLINE BANKING

The precursors for the modern home online banking services were the distance banking services over electronic media from the early 1980s. The term online became popular in the late '80s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. 'Home banking' can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. Details of payments to be made were input into the NBS system by the account holder via Prestel. A cheque was then sent by NBS to the payee and an advice giving details of the payment was sent to the account holder. BACS was later used to transfer the payment directly. Stanford Federal Credit Union was the first financial institution to offer online internet banking services to all of its members in October 1994. Today, many banks are internet only banks. Unlike their predecessors, these internet only banks do not maintain brick and mortar bank branches. Instead, they typically differentiate themselves by offering better interest rates and online banking features.

2.0 DRIVERS OF CHANGE

Advantages previously held by large financial institutions have shrunk considerably. The Internet has leveled the playing field and afforded open access to customers in the global marketplace. Internet banking is a cost-effective delivery channel for financial institutions. Consumers are embracing the many benefits of Internet banking. Access to one's accounts at anytime and from any location via the World Wide Web is a convenience unknown a short time ago. Thus, a bank's Internet presence transforms from 'brochure ware' status to 'Internet banking' status once the bank goes through a technology integration effort to enable the customer to access information about his or her specific account relationship. There are six primary drivers of Internet banking.

3.0 INDIAN BANKS ON WEB

The banking industry in India is facing unprecedented competition from non-traditional banking institutions, which now offer banking and financial services over the Internet. The deregulation of the banking industry, coupled with the emergence of new technologies, is enabling new competitors to enter the financial services market quickly and efficiently. Online banking systems in India and the features

available with different banks across India has facilitated this even more. If users look into the modern age of banking, online banks or net banking has made things much easier for the people as they save lot of time.

4.0 MAIN CONCERNS IN INTERNET BANKING

Some basic information on the transmission of confidential data is presented in Security and Encryption on the Web. PC Magazine Online also offers a primer: How Encryption Works.

- Greater reach to customers
- Quicker time to market
- Ability to introduce new products and services quickly and successfully
- Ability to understand its customers' needs
- Customers are given access to information easily across any location
- Greater customer loyalty

4.1 JUST THREE EASY STEPS TO GO ONLINE

User can now access his account details online and also link relationships with ICICI Bank through Internet Banking at www.icicibank.com. To get started, all users have to do is follow the three simple steps described below:

Step 1: Access Internet Banking - Obtain User ID and Password

- For the security of user accounts, a unique user ID is created and allotted for every account number.
- For bank accounts, the user ID and passwords (both log-in password and transaction password) are given to user as part of user 'Welcome' kit at the time of account opening.
- In the case of credit-card accounts, the user ID and passwords are mailed to your registered mailing address separately after dispatch of the card to you.
- For Demat accounts, user can ask for your Internet Banking user ID / passwords by submitting a filled-in application form.
- If user has received user Internet Banking user ID / passwords but has lost them or do not remember them, user can ask for them by calling user Access Internet Banking - Obtain your User ID and P at our 24-hour Customer Care numbers or by submitting a filled-in application form at any ICICI Bank branch. If user accounts are not linked to a single user ID (see Step 3), user will have to ask for

a separate user ID and set of passwords (log-in password and transaction password) for each account number that you have.

Step 2: Create Unique User ID

- The second simple step is to create unique user ID. The user ID is permanent identification to the Internet Banking service. This facility of creation of user ID helps you to modify your system-generated user ID so that you can customize it to a form that you find easier to remember.

- Click the 'Personal' button at the top left corner of the web page and then log in with the user ID and password given to you.

- Click the "Change User ID" link at the top-most menu and proceed.

- Setting user ID is very simple and convenient. You do not need to store your user ID physically for future recall and thus compromise the security of your account.

- Please note that this facility is available to user only once, i.e.. once you have changed your user ID through this step, you cannot change it again. Try and create a user ID that no one can guess easily.

- User ID should be unique to you and yet not obvious to others. Avoid using your name, nickname, date of birth and other such commonly known or easily findable information.

- Along with the creation of user ID, user should change the passwords that have been provided to you. Please choose a password that is at least 8 characters and up to 32 characters long. Passwords should contain both letters and numerals.

- A word of caution: After you have changed user ID, the system will instantly ask user to change user log-in password and transaction password also.

- So, if users do not remember user transaction password, please do not initiate this step.

- Instead, please obtain a transaction password from our 24-hour Customer Care (as in Step 1) and then proceed with this step.

Step 3: Link the Account Number to User ID

If user has more than one relationship with Bank, user can link all your accounts to a single user ID. Once user does so, user can

log in and view the details of all Bank relationships with just this one user ID.

- To link user bank accounts / credit card accounts and/or loan accounts, just log in with the user ID to which you wish to link these accounts and go to the 'Request' option under the 'Bank' menu of the homepage.

- Select the appropriate request pertaining to the type of account that user want to link, and enter your account number that you wish to link. The system will also ask you to confirm your request with your transaction password.

- Once the request is validated by the system, linking is effected within three to four business days, after which you can access your account details and transact online.

- The next time user wants to see his/her account details, all you need to do is log in and select the account that you wish to view from the 'My Accounts' page.

- For security reasons, the transaction password and/or ATM/debit card related authentication would be necessary when you choose to transact online.

4.2 RISKS IN ONLINE BANKING - INTERNET BANKING RISKS

Internet banking does not open up new risk categories, but rather accentuates the risks that any financial institution faces. The board and senior management must be cognizant of these risks and deal with them appropriately. These risks, which often overlap, are briefly described below:

- **Strategic risk**—This is the current and prospective risk to earnings and capital arising from adverse business decisions or improper implementation of business decisions. Many senior managers do not fully understand the strategic and technical aspects of Internet banking. Spurred by competitive and peer pressures, banks may seek to introduce or expand Internet banking without an adequate cost-benefit analysis. The organization structure and resources may not have the skills to manage Internet banking.

- **Transaction risk**—This is the current and prospective risk to earnings and capital arising from fraud, error, negligence and the inability to maintain expected service levels. A high level of transaction risk may exist with Internet banking products, because of the need to have sophisticated internal controls and constant availability. Most Internet banking platforms are based on new platforms which use complex interfaces to

link with legacy systems, thereby increasing risk of transaction errors. There is also a need to ensure data integrity and non repudiation of transactions. Third-party providers also increase transaction risks, since the organization does not have full control over a third party. Without seamless process and system connections between the bank and the third party, there is a higher risk of transaction errors.

- **Reputation risk**—This is the current and prospective risk to earnings and capital arising from negative public opinion. A bank's reputation can be damaged by Internet banking services that are poorly executed (e.g., limited availability, buggy software, poor response). Customers are less forgiving of any problems and thus there are more stringent performance expectations from the Internet channel. Hypertext links could link a bank's site to other sites and may reflect an implicit endorsement of the other sites.

4.3 ONLINE BANKING DISADVANTAGES

1. **Online Banking** - Online banking can help when there is no time to go to the bank just to check a statement or track some other financial business. This type of banking also eliminates paper waste, which is good for the environment. Banking over the Internet allows customers to view statements and receive emails from the bank without opening any physical mail. Online banking has many benefits but there are also some disadvantages.

2. **Internet Fraud** - There is a lot of personal information held in an online bank account beyond just your address and phone number. When banking online in a public place, you must remember to erase the history of your visit from any public computer server. If not, your banking information gathered by a stranger can used to defraud you by accessing your account and possibly even stealing your identity.

5.0 HISTORY OF HDFC BANK

HDFC Bank was incorporated in 1994 by Housing Development Finance Corporation Limited (HDFC), India's largest housing finance company. It was among the first companies to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector. The Bank started operations as a scheduled commercial bank in January 1995 under the RBI's liberalization policies. Times Bank Limited (owned by Bennett, Coleman & Co. / Times Group) was merged with HDFC

Bank Ltd., in 2000. This was the first merger of two private banks in India. Shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank. In 2008 HDFC Bank acquired Centurion Bank of Punjab taking its total branches to more than 1,000. The amalgamated bank emerged with a base of about Rs. 1, 22,000 Crore and net advances of about Rs.89, 000 Crore. The balance sheet size of the combined entity is more than Rs. 1, 63,000 Crore.

5.1 HDFC Net banking - easy internet banking from HDFC bank

HDFC Netbanking India is the new generation online Internet banking service which provides you the information related to your savings/current accounts and lets you mange them online from anywhere, anytime through Internet connectivity. All HDFC Bank Savings and Current account holders in India can access their account through HDFC Netbanking India. It avoids visiting to HDFC branch for simple transactions saving time and money. Moreover HDFC netbanking is totally free of charge.

5.2 How safe is HDFC Netbanking

HDFC bank has built several checks in its Internet banking software to safeguard its HDFC NetBanking transactions. The login page of HDFC netbanking asks for unique customer ID and IPIN (password) to verify the user's identity. The password is not accessible to anyone, not even bank employees. Secure Internet connectivity is used for transactions using SSL, which involves scrambling of the information between the user's computer and the net banking server. If an unauthorized user tries to access account by keying in various combinations while trying to guess the password, the account automatically get locked after three or four wrong attempts. Last date and time of login is displayed during login so that user can make sure that nobody has accessed his account in his absence.

5.3 What can be done using HDFC net banking in India

The following can be done through HDFC net banking using the Internet from any place or location by the click of a mouse.

Account related queries

- Check current / savings account balance

- See online bank account statement
- Inquire about cheque status
- Request for an account statement
- Inquire about fixed deposit

Online transactions

- Stop a Cheque payment
- Pay your Bills online for registered billers
- Ask for a Demand Draft to be delivered to you or beneficiary
- Transfer funds between your HDFC bank accounts

How to Use HDFC Netbanking

- Go to HDFC bank website http://www.hdfcbank.com/personal/default.htm
- On right hand side you will see links for HDFC net banking, select HDFC Bank Net Banking
- On click you are taken to secure section of HDFC netbanking website.
- Enter your unique customer ID and IPIN (password) to verify the identity.
- After logging in you will be shown your account summary, then you can transfer funds, order for a cheque book online and can manage your account

completely as per directions on the web page.

- Logout after you have completed your online transactions and close the browser window for added security**.**

6.0 HISTORY OF ICICI BANK

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI's shareholding in ICICI Bank was reduced to 46% through a public offering of shares in India in fiscal 1998, an equity offering in the form of ADRs listed on the NYSE in fiscal 2000, ICICI Bank's acquisition of Bank of Madura Limited in an all-stock amalgamation in fiscal 2001 and secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002. In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002.

Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, have been integrated in a single entity.

6.1 ICICI bank online banking

For savings account, up to 3 cash deposits per quarter (3 months) at the non base branch can be made at no cost. For additional cash deposits, the bank charges the recipient Rs 100 (+ service tax) per deposit, irrespective of the amount deposited. When the bank implemented this change, the ICICI bank customers were not informed about the revision in the charges. For outstation cheques, ICICI bank charges a minimum of Rs 30 (+ service tax) for savings accounts. This is very inconvenient for account holders in small towns, who receive the dividend warrant payable in major cities only. These warrants can be for small amounts like Rs 20. For salary accounts, the minimum AQB required is zero and you retain the account even after you leave the job. If your AQB is more than Rs 100000, you get a free at par cheque book. Many of the ICICI bank customers are salary account holders, who are forced by their employers to open an account with ICICI bank to receive their salary. The account is opened at a branch which is convenient for the employer, but extremely inconvenient for the employee. If you want any clarification or information, their customer support (through phone banking or email) will instruct you to visit the nearest branch - where the concerned person may or may not be available. For savings account, if you send an email asking for clarifications, it is usually answered after a week.

7.0 REVIEW OF LITERATURE

Hutchinson & Warren, (2003) in their study stated that for Internet banking there is a real need for a way uniquely to identify and authenticate users without the possibility of their authenticity being cloned. Some technologies in use have been presented for meeting the security requirements for national, regional and global Internet banking assurance. A study on critical factors affecting consumer acceptance of online banking by **Maditinos et al., (2013)** suggested the important aspect of perceived usefulness, security risk and performance risk on the intention to use internet banking. On the contrary, the impact of perceived ease of use and quality of the internet connection seemed to have only an indirect effect on internet banking adoption. The finding of a study on perceived risk of internet banking in India by **Kesharwani &**

Bisht (2012) reveals that perceived risk has a negative impact on behavioral intention of internet banking adoption and trust has a negative impact on perceived risk. A well-designed web site was also found to be helpful in facilitating easier use and also minimizing perceived risk concerns regarding internet banking usage. Research on Internet Banking Services in China by **Zhao et al (2010)** indicated that there is a significant relationship between trust and perceived risk and that both are crucial in explaining the internet banking usage intention. According to **Mukherjee & Nath (2003)** the role of trust encompasses the exchanges and interactions of a retail bank with its customers on various dimensions of online banking. It specifically lays stress on the bank-to-customer exchanges taking place through the technological interface. Trust and commitment also have a causal relationship. Studies by **Malhotra & Singh (2010)** on analysis of internet banking in India show that private and foreign Internet banks have performed well in offering a wider range and more advanced services of Internet banking in comparison with public sector banks. Among the determinants affecting the extent of Internet banking services, size of the bank, experience of the bank in offering Internet banking, financing

pattern and ownership of the bank are found to be significant. Research by **Yap et al. (2010)** stressed that Traditional service quality builds customer trust in the e-banking service. The size and reputation of the bank were found to provide structural assurance to the customer but not in the absence of traditional service quality. Web site features that give customers confidence are situation significant normality cues. According to **Akhlaq & Ahmed (2013)** Banks need to follow a strategy to work on intrinsic motivational factors such as perceived ease of use, and perceived enjoyment to induce trust in individuals to attract more internet banking users. **Koenig-Lewis et al (2010)** said that compatibility, perceived usefulness and risk are significant indicators for the adoption of m-banking services. Also Trust and credibility are crucial in reducing the overall perceived risk of m-banking. **Akturan & Tezcan, (2012)** while investigating the perception of people towards Internet banking found that perceived usefulness, perceived social risk, perceived performance risk and perceived benefit directly affect attitudes towards mobile banking and that attitude is the major determinant of mobile banking adoption intention. Research data on studies by **Casalo et al (2007)** showed that web site

security and privacy, usability and reputation have a direct and significant effect on consumer trust in a financial services web site. Besides this, consumer trust is positively related to relationship commitment. Finally, it is observed that trust is a key mediating factor in the development of relationship commitment in the online banking context. In internet banking, fairness that includes distributive fairness, procedural fairness and informational fairness is positively related to customer satisfaction. Trust is identified as the key mediator of fairness to customer satisfaction - **Zhu & Chen, (2012).**

8.0 RESEARCH METHODOLOGY:

8.1 Research Design:

The Research Design adopted in the study was **descriptive** in nature because the study aims at describing the situation as it exists at present.

8.2 Objectives of the study:

Specific objective of the present study is to study the risk perception involved in online banking with special reference to HDFC v/s ICICI Bank.

Sub objectives:-

• To study the awareness of consumers regarding online banking.

• To make the customer aware regarding risk involved in online banking

• To analyze the risk involved in different online transactions.

8.3 Sample size

Keeping in the view the objectives and resource limitation of the study, 250 respondents were considered.

8.4 LIMITATIONS OF THE STUDY:

➢ Many respondents may have given guarded answers to some crucial questions.

➢ Some of them would not fill the questionnaire due to lack of time.

➢ Response may not be collected from the total sample selected.

9.0   ANALYSIS   AND INTERPRETATION

From the study it was concluded that 40 % of people have a bank account in HDFC bank, 34 % of people have a bank account in ICICI bank, 26 % of people have a bank account in other banks. So from above it is concluded that higher proportion of people i.e. 40 % of people have their bank account in HDFC bank. From the study it was also perceive that people knew about online banking. Study concluded that 30% of

people prefer online banking due to Time Saving, 44% of people prefer online banking due to Wide Options, 26 % of people prefer online banking due to 24*7 Availability. So from above it is concluded that higher proportion of people i.e. 44% of people prefer online banking due to Wide Options. About 20% of people say that their bank is offering E-Ticket online services, 32% of people says that their bank is offering E-Shopping   online services, 28% of people says that their bank is offering Online payment services, 20% of people says that their bank is offering Wire Transfer online services. So from above it is concluded that higher proportion of people i.e. 32% of people says that their bank is offering E-Shopping online services. The study also concluded that 18% of people use online banking services once or twice in a week, 28% of people use online banking services once or twice in a month, 22% of people use online banking services once or twice in a quarter, 12% of people use online services once or twice in a year. So from above it is concluded that higher proportion of people i.e. 8% of people use online banking services once or twice in a month. Majority of respondents felt that there are lot of risks involved in online banking, of them 24% of people face risk of fraud while using online

banking services, 30% of people face risk of virus while using online banking services, 42% of people face risk of Password Detection while using online banking services, 4% of people face other risks while using online banking services. So from above it is concluded that higher proportion of people i.e. 42% of people face risk of Password Detection while using online banking services. Almost 70% of respondents had trouble while using internet banking. If faced with such problems majority of respondents complained to the bank authorities followed by consulting with an expert or advisor.

10.0 STATISTICAL ANALYSIS

CHI SQUARE TEST has been applied to test the relationship between various respondents with regard to risk perception of online banking on the basis of their age.

$H_0=$ It is assumed that there is no relationship between various respondents with regard to risk perception of online banking on the basis of their age.

$H_1=$ It is assumed that there is a relationship between various respondents with regard to risk perception of online banking on the basis of their age.

Q4- Why do people prefer online banking?

	Below 20	20 - 30	30–40	TOTAL
Time Saving	8	40	12	60
Wide Options	12	70	6	88
24*7 Availability	4	22	26	52
TOTAL	24	132	44	200

O	E	O-E	$(O-E)^2/E$
8	7.2	0.8	0.088
12	10.56	1.44	0.196
4	6.24	-2.24	0.804
40	39.6	0.4	0.004
70	58.08	11.92	2.446
22	34.32	-12.32	4.422
12	113.2	-1.2	0.109
6	19.36	-13.36	9.219
26	11.44	14.56	18.530
TOTAL			35.818

Level Of Significance = 5%

Degrees Of Freedom = V = (C-1) (R-1) (3-1) (3-1) = 4

Calculated Value =35.818

Tabulated Value = 9.48773

INFERENCES

Since the calculated value is more than the tabulated value the null hypothesis will be rejected & thus it can be inferred that there is relationship between various respondents with regard to risk perception of online banking on the basis of their age.

Q5- Which types of online services is your bank offering?

	Below 20	20 - 30	30 – 40	TOTAL
E-Ticket	4	30	6	40
E-Shopping	10	40	14	64
Online Payment	6	32	18	56
Wire Transfer	4	30	6	40
TOTAL	24	132	44	200

O	E	O-E	$(O-E)^2/E$
4	4.8	-0.8	0.133
10	7.68	2.32	0.7
6	6.72	-0.72	0.077
4	4.8	-0.8	0.133
30	26.4	3.6	0.490
40	42.24	-2.24	0.118
32	36.96	-4.96	0.665
30	26.4	3.6	0.49
6	8.8	2.8	0.89
14	14.08	-0.08	.0004
18	12.32	5.68	2.618
6	8.8	-2.8	0.89
TOTAL			7.204

Level Of Significance = 5%

Degrees Of Freedom = V = (C-1) (R-1) (3-1) (4-1) = 6

Calculated Value =7.204

Tabulated Value = 12.5916

INFERENCES

Since the calculated value is less than the tabulated value the null hypothesis will be accepted & thus it can be inferred that there is no significant difference between risk perceptions of consumer regarding online banking.

Calculated Value =7.054

Tabulated Value = 9.48773

INFERENCES

Since the calculated value is less than the tabulated value the null hypothesis will be accepted & thus it can be inferred that there is no significant difference between risk perceptions of consumer regarding online banking.

Q8- What kind of risk do you normally face while going for online banking?

	Below 20	20 - 30	30 – 40	TOTAL
Fraud	4	38	6	48
Virus	6	40	14	60
Password Detection	12	50	22	84
Others	2	4	2	8
TOTAL	24	132	44	200

Q9- How risky is online banking in your opinion?

	Below 20	20 - 30	30 – 40	TOTAL
No risk	4	18	2	24
Low Risk	6	28	10	44
Moderate Risk	8	44	20	72
High Risk	4	20	8	32
Extreme Risk	4	22	4	28
TOTAL	24	132	44	200

O	E	O-E	$(O-E)^2/E$
4	5.76	-1.76	0.537
6	7.2	-1.2	0.2
12	10.08	1.92	0.365
2	0.96	1.04	1.126
38	31.68	6.32	1.260
40	39.6	0.4	0.004
50	55.44	-5.44	0.533
4	5.28	-1.28	0.31
6	10.56	-4.56	1.969
14	13.2	0.8	0.048
22	18.48	3.52	0.670
2	1.76	0.24	0.032
TOTAL			**7.054**

Level Of Significance = 5%

Degrees Of Freedom = V = (C-1) (R-1) (2-1) (5-1) = 4

O	E	O-E	$(O-E)^2/E$
4	2.88	1.12	0.435
6	5.28	0.72	0.098
8	8.64	-0.64	0.047
4	3.84	0.16	0.006
2	3.36	-1.36	0.550
18	15.84	2.16	0.294
28	29.04	-1.04	0.037
44	47.52	-3.52	0.260
20	21.12	-1.12	0.059
22	18.48	3.52	0.670
2	5.28	-3.28	2.037
10	9.68	0.32	0.010
20	15.84	4.16	1.092
8	7.04	0.96	0.13
4	6.16	-2.16	0.757
TOTAL			6.779

Level Of Significance = 5%

Degrees Of Freedom = V = (C-1) (R-1) (3-1) (5-1) = 8

Calculated Value = 6.779

Tabulated Value = 15.5073

INFERENCES

Since the calculated value is less than the tabulated value the null hypothesis will be accepted & thus it can be inferred that there is no significant difference in risk perceptions among consumer regarding online banking.

11.0 RECOMMENDATIONS:

- Still many don't avail the facility of online banking just because they don't find it reliable and they are less aware about it. So there is need to educate them.

- Secondly, Bank should respond fast to the complaints of customers regarding whatever mis-happenings they are facing.

- Use measures to avoid password hacking and transfer of viruses.

- All customers should be given cyber security cell.

12.0 CONCLUSION:

As it is seen that majority of the respondents have account in HDFC bank and they prefer online banking for reasons of time saving (as things are getting modernized in global scenario and because of busy schedules) many of the respondents prefer online banking. Secondly it also provides wide options and is available 24*7. Bank offers many online services but majority prefer online shopping. Still majority account holders are not using online services due to less awareness about its usage and also they don't feel it is reliable and even find it risky because of possibility of hacking of password.

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Market Reaction to Stock Splits: Evidence from India

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Abstract

Research in US and other European countries documents that there is a significant positive abnormal return observed with stock split. In this paper it has been attempted to study stock market reaction pertaining to stock split execution. The analysis carried out by taking 180 such firms where stock-split incurred during year 2007 to 2012 indicates that there is no positive abnormal return on the execution day, however just two days before the execution day, significant positive abnormal return is recorded. Moreover contrary to evidence found in foreign countries, there is no positive abnormal return on post execution of stock split and also after announcement to execution day. Thus, the analysis carried out from various points of view indicates that stock split does not have any positive impact on wealth of the share holders.

Key Words: stock splits, abnormal return, event

Introduction

As per Efficient Market Hypothesis, an event which does not have any information should not affect the stock prices. Stock split is one such cosmetic corporate event which simply increases number of outstanding shares and decreases the price of each outstanding share. Because of this, stock split should not show any abnormal return on or during either announcement date or execution date. However there are large number of evidences available in US and European markets which shows that stock splits leads to abnormal positive return on and around announcement date but increases volatility after that. It is just that the ex-date for stock dividend or stock split is simply a change in the number of shares outstanding along with a change in the level of the stock prices. Thus, there should be no change in the distribution of stock return around ex-dates of stock dividends and stock splits. However, many researchers have documented that

return volatility changes after a stock split. [Grinblatt, Masulis and Titman (1984): Dravid (1990)].

The most pioneering work done in the area of stock splits is by Fama E.F., Fischer, M. C. Jenson and R. Roll (1969) by analysing the share price performance of splitting firms. Fama et al have used the method named event study to study the market reaction on or around stock-split date.

Even though no financial literature has confirmed for the definite reasons for the abnormal return on and surrounding date of announcement and execution, there are some hypotheses which are prominent in this field and try to explain some of the reasons why managers go for split and so on; however, not mutually. There are so many hypotheses which have tried to solve this puzzling phenomenon. As per Brennan and Copeland (1988), more exemplary explanation is given by signalling hypothesis. As per signalling

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hypothesis mangers use stock splits as a signal of the firm's favourable future prospectus. It proposes that in a trend of asymmetric information between managers and investors, managers may use this as a tool to give a positive signal about their positive market position and future prospectus. It was supported by Grinblatt, Masulis and Titman (1984) and they showed positive abnormal return as a result of split announcement and proved that it is used as a signal of better future earnings. The other hypothesis named optimal trading range hypothesis indicates that stock splits are used as tools to realign the share price to desired range which in turn increases affordability of small investors to buy round lots of shares. Lakonishok J. and B. Lev (1987) proved this optimal trading range hypothesis and showed positive price effect due to stock splits. As per Baker (1980) and others, if the pre-split price of share is at reasonably high level then in such case stock splits give marketability to shares. The other hypothesis named liquidity hypothesis is closely related to trading range hypothesis. The reason to reduce share price in case if pre-split price is high is to involve large number of share holders and thus to expand shareholder base of the company. Muscarella and Vetsuypens (1996) empirically proved that stock splits result into liquidity and generate positive wealth effect for investors. The hypothesis named management entrenchment hypothesis indicates that mangers split their stock to decrease institutional ownership. This reduces possible takeover risk for the company, as through stock split price reduces and broad base of small investors can take part in the management of the company. The small firm or neglected firm

hypothesis suggests that for a small firm announcement of stock split acts like a greater marketing and promotion tool. As small firms have fewer public announcement compared to large firms, stock-splits act as a tool to catch public attention. Grinblatt, Masulis and Titman (1984) analysed and tested that stock splits try to catch market attention and thus results in abnormal return. As per market maker hypothesis bid-ask spreads decrease due to stock split, which leads to positive wealth for the investors. Schultz (2000) analysed and tested market maker hypothesis in his study.

Extant Literature

Research by Christopher and Percy (1987) in their research paper titled "The Market Reaction to Stock Splits" analyzes all stock split events that occurred between July 1962 and December 1985. The paper concludes that split results in an increase in number of transactions along with the number of shares traded, which in turn increases the volatility of the share prices. Also liquidity is increased by the split and reduced by the reverse-split; but there is no clear cut evidence that market attaches any value to this change in liquidity. The paper has presented and tested a model of market reaction to stock splits. Research paper on "Short-run profits and Stock-splits" by Frank and Eugene (1981) have taken 130 common stocks listed on NYSE that split two-for-one during the thirteen year period of 1964-1976. The paper empirically finds that stock splits do not generate any abnormal returns. The result shows no short run benefits for the stockholders.

Research paper by Paul et al (1989), in their paper titled, "Earnings and Stock Splits" studies stock split as an event by assuming that the market is efficient. The analysis by the authors concludes that there are significant earnings increases in the four years before the stock split announcement. Pre-split earnings increases are due to both industry and firm specific factors. Firms that announce stock splits are in industries which perform well but outperform their industries in a year prior to split date. The research indicates that there is earning information conveyed by stock splits. However, stock-split do not necessarily explain managers' motive for splitting their firm's stock. It may not be managers' motive to communicate earnings information through stock splits, however investors interpret a split as confirming that future earnings are permanent. Jinho and Michael (2003) have analyzed long run performance of stock splits by measuring post split performance of 12,747 stock splits from year 1927 to 1996. They used two methods to measure abnormal performance of stock split. First, size and book to market reference portfolio with boot-strapping and second, calendar time abnormal returns combined with factor models. The result based on variety of sub-periods and methodologies indicates that buyers and sellers of splitting stocks do not earn abnormal returns that are significantly different from zero. It concludes that the small amount of abnormal return occasionally observed for stock splits by using a three factor model is related to momentum.

Research by Mcnichols and Dravid (1990) says that firms signal their private information about their future earnings by their choice of split factor and because of

this reason investors revise their belief about firm value. The study indicates that price changes at stock dividend and split announcements are significantly correlated with split factors holding other factors and earning forecast constant. Authors find strong statistical association between announcement returns and split factor signals which says that investors' inferences about firm value do corresponds to firms' split factor choices. Chakraborty (2012) in the research paper titled "The Equity Market around the Ex-Split Date: Evidence from India" analysed 234 data set of stock splits from March 1999 to December 2008. The result investigated by the researcher is in line with the previous researchers. The research shows that there is a significant positive abnormal return on the day of split execution. There is an abnormally high negative return for a post split period which wipes out much more than the positive gain during the split execution.

Joshipura (2008) has in the research paper titled, "Price and liquidity effects of stock split: An Empirical evidence from Indian stock market" analysed presence of any abnormal returns on or surrounding split announcements and execution of split on trading volume. The researcher has taken 94 companies that went for split between June 2002 and June 2007 from S & P CNX 500. The event window is taken as t = -51 to t = +51 relative to the event day t = 0 (date of announcement of bonus/stock split). After testing different hypotheses, the author concluded that price effect associated with stock split is not significant and though there is a significant positive abnormal return of 1.08% and 1.66% found on announcement and effective day respectively it did not sustain

and got reversed in less than a week's time. Hence there is no clear evidence about positive wealth effect associated with stock split available from Indian markets. Mishra (2007) has documented negative effect on price and return of stocks following splits. The research paper has reported positive effect on volatility and trading volume following the split events.

Dash and Gouda (2007) have in the research paper "A study on the liquidity effects of stock splits in Indian stock markets" analyzed the overall impact of stock splits on returns. For that mean and variances of the period prior to the announcement are compared with the returns after the execution of the split. The results of the study indicated strong evidence for an increase in the liquidity of the stock after the split. Ray (2011) tried to study semi-strong form of efficiency in the Indian equity market in the research paper titled, "Market Reaction to Bonus Issues and Stock Splits in India: An Empirical Study". The events considered in this study are bonus issues and stock splits that took place in the market from April 1996 to March 2008. Estimation window was classified from -230 days to -31 days before the announcement date, i.e. 0 date. The results concluded that Indian market reacts to the stock split announcements.

Research Methodology

Rationale for study

As per theory stock splits are cosmetic corporate event as they simply increase the number of outstanding shares and simply decrease the price of each outstanding share. Thus, there should be no significant impact on the value of the firm. However, empirical evidence suggests that market generally reacts favourably to stock splits. The contradiction between theories and real world, where former expects no change in firm value consequent to stock splits while later says significant market reaction, motivates this study.

Objectives to carry out research on market reaction to stock splits are as follows:

1. To identify market reaction to execution of stock split.
2. To study whether abnormal return is generated or not on account of stock split.

The present study analyzes the impact of stock split on particular stock's return and deals with the data from July 2007 to December 2012 for the scrips listed on the Bombay Stock Exchange.

Selection criteria of scrips to be undertaken for study:

The basic sample for the study comprises of all Bombay Stock Exchange (BSE) equity stocks that have split between July 2007 and December 2012. The analysis is carried out on total 180 firms of BSE.

Scrips are included in the study based upon following fulfilment criteria.

1. The stock price data is available for 270 days prior to the execution date.
2. Data for 150 days are available for the post-split period.
3. Execution dates are available

After eliminating 210 such companies out of 390 companies with stock split, study is

undertaken for the remaining 180 companies and the data are collected and analysed for these 180 companies.

Methodology to determine Market Reaction around stock splits

The above mentioned objectives are studied and analysed by the approach known as 'event study'. It is a standard practice in the areas related to various market events such as dividend, bonus shares, mergers and acquisition and market anomalies. By using event study any market reaction is examined by finding abnormal return criteria.

The study uses the Market Model Method. The expected rate of return on the security was calculated using the market model. The model parameters were estimated by regressing daily stock return on the market index over the estimation period. The market model is given by

$$R_t = \alpha + \beta R_{mt} + \varepsilon_t \qquad (i)$$

Where R_{mt} is the return on sensex for day t, β measures the sensitivity of the firm to market- this is a measure of risk- and ε_t is the statistical error term where $\sum \varepsilon_t = 0$.

Thus the predicted return for the firm in the event period is the return given by the market model on that day using these estimates. The market model method is the most widely used method since it takes explicit account of both the risk associated with the market and mean returns.

The market's reaction to the stock split is measured using daily stock return data to compute excess stockholder returns. These excess returns are a measure of the stockholder's actual return minus return generated from market model. The daily excess return for the security is estimated by

$$AR_t = R_t - E(R_t) \qquad (ii)$$

Where t=day relative to an event, AR_t =excess return on the security for the day t, R_t =actual return on the security for day t, $E(R_t)$ =predicted or expected rate of return as per market model on the security for day t.

First, the average abnormal returns (AAR) for each relative day t are calculated across the securities. Daily average cumulative abnormal returns (CAR) are the sum of the average abnormal return over event time. In other words CAR is defined as the sum of previous daily average residuals for each trading day.

In the event time, the day on which a stock is split is designated as 0. Trading days prior to the stock split are numbered event days -1,-2 and so on and the post split days are numbered as +1, +2, etc.

The t-statistics is calculated as

$$t = \varepsilon t / s \bar{\varepsilon t}$$

Where $\bar{\varepsilon}_p$ is the average abnormal return of stock involved at day t and $s\,\bar{\varepsilon t}$ is the corresponding standard deviation.

$$\varepsilon t = \sum_{t=1}^{nt} \varepsilon\,i\,t$$

Where *nt* is the number of stocks involved in the study and $\varepsilon\ i\ t$ is the average abnormal return of *nt* stock from day -270 to + 150.

For the present study, data are divided into various windows.

Selection and estimation of windows to study a particular market event is always subjective and hence debatable. By taking inputs from earlier studies, we have decided to use following windows.

Estimation Windows

We have compared a stock's performance in two steady states: one before and one after the execution date of the stock split. The stock-execution day is considered as 0 day. The stock split execution may change the market's perception of a firm. The estimation window taken in the project for the price effect is as follows:

1. Run Up Window: Run window is a time period between 1 day after announcement (AD+1) and 1 day before execution day (ED-1). As for the present paper split execution and not announcement day is considered; run up window is examined for -100 to -1 and from -60 to -1. It is as a proxy for 1 day after announcement to 1 day before execution day. Also, as number of days is different between announcement day and execution day, the length of the day varies from stock to stock; it is not possible to average them out. Because of this run up window of -100 to -1 and -60 to -1 was considered. If any positive wealth effect is observed in this hypothesis, then it presents market maker hypothesis.

2. Post Execution Window: As shown above as per tradable range hypothesis, small investors can participate in the market after stock splits. Thus, in this period immediately after split, there should be a significant improvement in liquidity along with positive abnormal

return and later on abnormal return starts a reversing trend. Duration of the window varies from researcher to researcher. Here it was decided to take time frame of execution day i.e. 0 to +1, 0 to +2. 0 to +5, 0 to +10, 0 to +50 and 0 to +100. If positive abnormal return is found immediately after stock-splits, it indicates tradable range hypothesis.

Empirical Findings

Table 1 and figure 1 presents the average abnormal return earned by sample firms (180 firms) during the event window -60 to +60. The t- statistics alongside reveals that average abnormal return on day -1 i.e. before the split is highly positive. AAR has started showing negative results from the 26 days before the stock-split has occurred to till 3 days before the stock-split Execution. For day -2 and -1 abnormal return is positive. On an average, stocks of all 180 firms have shown positive abnormal return two days prior to split execution; while on the day of the execution it has shown negative return which is -0.19854. After this split execution, stocks have shown negative abnormal return from day 0 to till day +60 with an exception on some days where stocks have shown negligible relatively positive return. No theoretical explanations can be provided for a positive return earned on -32, -31, -29, -27, -19, and -12 days; positive return found on the day -8 and -7 may be due to informed traders, anticipating price increase on execution, might have purchased some shares in advance in order to make some profit. Surprisingly even in the post split period return is negative except for +5, +10 and +20 days of post split.

From the figure 1 it can be observed that for a given window from -60 to +60 days (pre and post split execution) after a rise in CAR up to day +6, the decrease in the CAR is continuous and dips to -18.838 per cent by day +60.

Note: If the t-statistics is larger in absolute value than 1.96, the relevant AARs are statistically non- zero at 5% level of significance. * indicate significance at 5% level.

Figure 1: Plot of Cumulative Abnormal Returns for the Investigation Window from Day -60 to Day +60
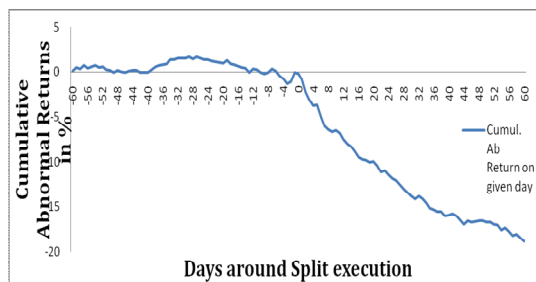
(Source: Authors' calculation)

These results point to the fact that the euphoria regarding stock splits is very short-lived and dies immediately after. This probably suggests that after the split, the investors have a re-look at the fundamentals of the companies and this drives the prices nearer to their intrinsic values.

Figure 2: Plot of Cumulative Abnormal Returns for the Investigation Window from Day -10 to Day +10

(Source: Authors' calculation)

The figure further clears out that the split has not generated any abnormal positive returns on execution and immediately after execution.

Hypothesis Test of stock splits

There are several hypothesis put forward by researchers to explain various phenomena related to stock splits. To empirically test such hypothesis, relevant windows are designed and stock split is studied.

H1: There are no excess returns present in the pre execution window.

As per neglected firm hypothesis firms use stock split to convey the information about brighter prospective and to attract the large pool of investors. When cumulative abnormal return and average abnormal return were computed to test this hypothesis, following results were obtained.

Event Window	CAR (%)	AAR (%)
Day -1	187.5293	1.0418
Day -2	48.4564	0.2692
Day-3	-106.6937	-0.5927
Day-4	-61.1534	-0.3397
Day-5	-99.4426	-0.5525

From this table it can be observed that there is a significant positive abnormal return prior to 1 day and 2 day of stock split execution; however it turns to negative when computed for larger number of day before split execution. Thus, the result supports presence of positive abnormal return just before execution of split.

H2: There is no excess return in the run up window.

Event Window	CAR (%)	AAR (%)
day 0	-35.7381	-0.1985
day 1	-114.2788	-0.6349
day 2	-251.9369	-1.3919
day 3	-149.9278	-0.8283

As discussed above as per signalling hypothesis, stock split announcement is considered as a positive announcement by the company. Thus there should be positive abnormal return in the window examined earlier such as -100 to -1 and -60 to -1 and so on.

Event Window	CAR (%)	AAR (%)
-10 to -1	-0.4953	-0.0450
-20 to -1	-1.2432	-0.0592
-60 to -1	-0.0721	-0.0012
-100 to -1	5.7410	0.0574
-270 to -1	32.5063	0.1204

Here the result indicates that there is a significant positive excess return found when event time framework of -100 to -1 and -270 to -1 is considered. However opposite result is found when it was tried with somewhat smaller time frame. It is because there might be other reasons for a positive abnormal return found for an estimation window of longer duration. But, usually there is a window of around 50 to 60 days between announcement and execution. Thus, this accepts the null hypothesis.

H3: There is no excess return present on execution day.

As per tradable range hypothesis, because of stock-split the stocks come into tradable range and so it becomes affordable to small investors. This results in more demand for such stocks and as per tradable range hypothesis it leads to positive abnormal return on execution day and also a few days after execution day and then the trend reverses i.e. starts giving negative abnormal return.

The above table shows the result of CAR on and around execution day. The table shows that there is a negative return on 0 day i.e. day of split. Moreover when it was calculated for day 1, day 2 and day 3 immediately after execution of stock split, significant negative return was observed. This accepts the null hypothesis indicating there is no excess return presence on execution day and few days after it.

H4: There is no excess return in post event window.

As per market maker hypothesis there is a positive abnormal return at the time of stock split and thereafter as stock split reduces bid ask spread.

Event Window	CAR (%)	AAR (%)
From 0 to +1	-0.8334	-0.4167
From 0 to +2	-2.2253	-0.7418
From 0 to +5	-3.6348	-0.6058

From 0 to +10	-6.4412	-0.5856
From 0 to + 50	-16.6782	-0.3270
From 0 to +100	-21.8853	-0.2148

When this null hypothesis was tested for presence of abnormal return for a 0 to +1 day to till 0 to 100 days, no evidence was found for positive abnormal return. Also when cumulative abnormal return was calculated for event day i.e. day 0 to +1, day 0 to +2 and so on persistent negative return is observed and it increases with passage of time. The reason behind this is that in India tick size is very small and in majority of the cases it is five paisa only. In other markets one of the primary reasons to go for stock split is to attain optimum tick size ratio. Thus, stock split in India does not result in wealth gain for investors as the return is consistently negative in post split scenario. This proves the null hypothesis.

Conclusion:

It is found that out of 180 firms only 83 firms have shown positive abnormal return on execution day, which does not make it statistically significant and thus dilutes the significance of the presence of positive abnormal return on execution day. The highest positive return observed on day 0 is 28.79% and the lowest is -16.10%; while the mean abnormal return found on the execution day is -0.1985%. Empirical evidence for post event window in other countries shows that there is a wealth gain on the announcement day and post execution of stock split there is a positive wealth effect as well as improvement in liquidity. In Indian context, the result shows that there is no sign of positive wealth effect after execution. Hypothesis

H1 is accepted indicating that there is a positive abnormal return two days prior to execution but not before that. Also, as there is no excess return found in run up window on execution day and post execution this rejects H2, H3 and H4 null hypotheses.

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Table 1: Average Abnormal Returns around Split Execution along with their t-Statistics

Day	Average Abnormal Returns	t - Statistics	Day	Average Abnormal Returns	t -Statistics	Day	Average Abnormal Returns	t –Statistics
-60	0.091591	0.263318	-19	0.328288	0.943803	22	-0.6818	-1.96013*
-59	0.339477	0.975972	-18	-0.37649	-1.08239	23	0.158266	0.455002
-58	-0.09431	-0.27113	-17	-0.04062	-0.11678	24	-0.49583	-1.42547
-57	0.335166	0.963577	-16	-0.21968	-0.63157	25	-0.38018	-1.093
-56	-0.27923	-0.80278	-15	-0.16009	-0.46025	26	-0.23955	-0.68869
-55	0.155415	0.446807	-14	-0.00886	-0.02548	27	-0.47172	-1.35616
-54	0.131498	0.378048	-13	-0.4784	-1.37536	28	-0.44878	-1.29021
-53	-0.24589	-0.70692	-12	0.362552	1.04231	29	-0.38791	-1.11521
-52	0.061847	0.177807	-11	-0.07011	-0.20155	30	-0.38379	-1.10337
-51	-0.30208	-0.86844	-10	-0.33945	-0.9759	31	-0.29108	-0.83683
-50	-0.01783	-0.05126	-9	-0.10307	-0.29631	32	0.316267	0.909244
-49	-0.25311	-0.72768	-8	0.125235	0.36004	33	-0.37736	-1.08488
-48	0.19688	0.566016	-7	0.41235	1.185476	34	-0.41887	-1.20423
-47	-0.14133	-0.40631	-6	-0.21794	-0.62656	35	-0.56478	-1.62369
-46	-0.07521	-0.21622	-5	-0.55246	-1.58828	36	-0.18918	-0.54388
-45	0.138333	0.397696	-4	-0.33974	-0.97673	37	-0.17698	-0.50879
-44	0.108038	0.310602	-3	-0.59274	-1.70409	38	-0.06134	-0.17635
-43	0.008154	0.023441	-2	0.269202	0.773937	39	-0.4207	-1.20948

-42	-0.21815	-0.62718	-1	1.041829	2.995182*	40	0.022914	0.065875
-41	-0.02393	-0.06881	0	-0.19854	-0.5708	41	0.185025	0.531934
-40	-0.00834	-0.02397	1	-0.63488	-1.82524	42	-0.22194	-0.63807
-39	0.322842	0.928146	2	-1.39192	-4.00166*	43	-0.45542	-1.30929
-38	0.3332	0.957924	3	-0.82833	-2.38139*	44	-0.53096	-1.52648
-37	0.116363	0.334536	4	-0.64033	-1.8409	45	0.422376	1.2143
-36	0.063737	0.18324	5	0.059166	0.170097	46	-0.11856	-0.34086
-35	0.107184	0.308146	6	-1.27319	-3.66032*	47	0.064288	0.184822
-34	0.441378	1.26893	7	-1.07131	-3.07994*	48	0.095794	0.275401
-33	0.049185	0.141403	8	-0.36305	-1.04375	49	-0.05482	-0.1576
-32	0.151853	0.436567	9	-0.27523	-0.79126	50	-0.1699	-0.48844
-31	0.017314	0.049775	10	0.176409	0.507162	51	0.000804	0.002312
-30	-0.02793	-0.0803	11	-0.31509	-0.90586	52	-0.23596	-0.67836
-29	0.117912	0.338988	12	-0.69231	-1.99034*	53	-0.07205	-0.20715
-28	-0.2386	-0.68595	13	-0.48876	-1.40516	54	-0.49766	-1.43075
-27	0.270694	0.778224	14	-0.29923	-0.86027	55	0.173173	0.497859
-26	-0.18511	-0.53218	15	-0.55615	-1.59888	56	-0.37328	-1.07314
-25	-0.10573	-0.30396	16	-0.62636	-1.80074	57	-0.45438	-1.3063
-24	0.00804	0.023114	17	-0.21405	-0.61538	58	0.171632	0.493428
-23	-0.22639	-0.65086	18	-0.08344	-0.23988	59	-0.44188	-1.27036
-22	-0.04202	-0.12079	19	-0.22854	-0.65704	60	-0.35844	-1.03049
-21	-0.1084	-0.31164	20	0.03182	0.09148			
-20	-0.08446	-0.24281	21	-0.48836	-1.404			

(Source: Authors' calculation)

An Empirical Analysis Of Supply Chain Competency Of The Manufacturing Industry

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ABSTRACT

The purpose of this work is to empirically analysis the supply chain competence of manufacturing industries. Empirical survey of 255 samples was collected from the executives of manufacturing industries in the Union Territory of Puducherry using structured questionnaire. On the basis of exploratory factor analysis, three supply chain competence factors are extracted: quality and service, design effectiveness and operations and distribution competence. Based on the factor loading in the supply chain competence, K-mean cluster analysis was performed to segment the manufacturing firm into three groups: High, Medium and Low supply chain competence manufacturing units. Factors that segment the industries were examined through discriminant analysis. Results indicate that design Effectiveness competence factor plays a significant role in formation of first and second clusters namely: high supply chain competence units and low supply chain competence industries.

Key Words: Supply chain competence, Descriptive research, Manufacturing industry,

1. INTRODUCTION

Supply chain management (SCM) is the global operations strategy for attaining excellence in the organizational competitiveness. Industries are trying to find better ways to develop their efficiency and responsiveness, and in turn competitiveness, by changing their operations strategy, methods and technologies that include the implementation of SCM paradigm and information technology (IT). SCM has received in recent years a great deal of attention by practitioners and academics alike. The benefits that accrue to firms that effectively manage their supply chain partners are numerous (Spekman et al., 2002). However, successful management of supply chain is not a simple task and supply chain capability is vital skill that will eventually determine the success of the organization. This research paper attempts to analysis the supply chain competence of manufacturing industries. Based on the survey data collected from executives of

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manufacturing industries, the following sections were discussed: the literature review related to supply chain competence, research methodology employed in this research paper, results and discussion from the statistical analysis and final section is conclusion and implications of this research work.

2. REVIEW OF LITERATURE

Supply chain competence is a necessary pre-requisite for firms to react to market and financial uncertainties and to manage and sustain their supply chain performance and organizational performance (Gubi et al., 2003). SCM is literally stable only when it is completely endorsed by stakeholders of the organization. Supply chain competencies are the ability of the organization to be in total power and control of supply chain operations and performance in spite of issues of external and internal environmental factors. As noted by Yang and Su (2009) and Sauber et al (2008), core competency of organizations is a reflection of the collective learning of the organization over a period of time and their ability to coordinate the diverse skills through an efficient and fool-proof technical system.

Supply chain competence has been defined as *"A portfolio of organizational, managerial, technical and strategic capabilities and skills developed by enterprises over time"* (Tracey et al., 2005; Wong et al .,2011 and Chow et al., 2008).

Larson and Halldorsson (2002) put forth the argument that an organization in today's business environment is driven by four major factors of forecasting, planning of inventory, supply chain efficiency and information accuracy. Effective management of these factors will help the firm to distribute the product or service to their customer at the right time, place and price in effective and efficient manner. Spekman et al (2002) and Cigolini et al (2004) suggested that supply chain competence should also comprise of planning of supply chain, in order management, service fulfillment and procurement of raw material in effective manner.

3. RESEARCH METHODOLOGY

The research design of the proposed research work is descriptive in nature. The research work has been conducted mainly based on primary data. Primary data relating to supply chain concerns, variable of manufacturing industries, have been

collected from executives of manufacturing firms. The data collection instrument used for this research is a well structured questionnaire. The sample population for this study consists of the manufacturing firms located in the Union Territory of Puducherry including Pondicherry, Karaikal, Mahe and Yanam. Sampling technique adopted in this research work is simple random sampling method and the sample size for the study was 255 manufacturing firms. The sample size of the study has been determined using this formula: $n_o = Z^2 \sigma^2/e^2$, where Z=1.96 , σ = 8.12, e = 1.

The variables needed for the questionnaire were generated through the literature review and pre-pilot study was conducted to test the content validity of the questionnaire by administering it to subject experts and necessary suggestions were incorporated. The Pilot study was conducted on 30 manufacturing firms in the Union Territory of Puducherry and the initial reliability of the questionnaire was tested using Cronbach's Alpha value, which revealed a good reliability result.

The main survey was conducted using final questionnaire and the results are represented in tabular and figurative forms. The statistical tools used in this research work are Simple Mean, Factor Analysis, Cluster Analysis and Discriminant Analysis. Software package used to analyze above statistical tools are SPSS 16.

4. RESULTS AND DISCUSSIONS

This section presents descriptive and inferential statistical analysis of supply chain competence using statistical tools namely simple mean analysis, factor analysis, cluster analysis, discriminant analysis and results are represented in tabular and figurative forms. The supply chain competence of manufacturing enterprises are studied with the help of variables such as The ability to fill orders with improved accuracy, the ability to forecasting sales with greater accuracy, the ability to issue notice on shipping delays in advance, the ability to respond to a request in a timely manner, the ability to make high quality products, the ability to deliver high-quality services, the ability to respond to the needs of key customers, the ability to work with key suppliers, the ability to manage supply chain inventory, the ability to meet a delivery on promised date, the ability to enhance supply chain's position in terms of Integrity, the ability to enhance supply chain's position in terms of social responsibility, the ability to design low-pollution production process and the ability to design low-pollution delivering process.

Each variable and its nature of relevance with supply chain competence are described in detail in the forthcoming sections.

4.1 PRIORITIES OF SUPPLY CHAIN COMPETENCE

The executives of manufacturing units in Union Territory of Puducherry were asked to rate their firm's supply chain competence level on a five point rating scale ranging from very low to very high. The mean values assigned to each of these variables have been displayed in Table 4.46 and these variables have been ranked according to their mean values.

Table 4.1 Priorities of Supply Chain Competence

Sl. no	Supply chain competence variables	Mean value	Rank
1	The ability to make high quality products	3.70	I
2	The ability to respond to the needs of key customers	3.60	II
3	The ability to work with key suppliers	3.58	III
4	The ability to respond to a request in a timely manner	3.54	IV
5	The ability to deliver high-quality services	3.52	V
6	The ability to meet a delivery on promised date	3.50	VI
7	The ability to fill orders with improved accuracy	3.31	VII
8	The ability to manage supply chain inventory	3.29	VIII
9	The ability to forecasting sales with greater accuracy	3.28	IX
10	The ability to enhance supply chain's position in terms of social responsibility	3.25	X
11	The ability to design low-pollution delivering process	3.18	XI
12	The ability to enhance supply chain's position in terms of integrity	3.15	XII
13	The ability to design low-pollution production process	3.09	XIII
14	The ability to issue notice on shipping delays in advance	2.94	XIV

It can be observed from above table that manufacturing units in UT Puducherry give utmost importance to the ability to make high quality products. This implies that the manufacturing units are intentional about improving their supply chain competence by improving the quality of products they produce. It can be noted that the units are showing least interest in the ability to issue notice on shipping delays in advance.

4.2 FACTORISATION OF SUPPLY CHAIN COMPETENCE

Factor analysis was applied to condense the number of items or variables into minimum number of manageable items or variables. Results of KMO and Bartlett's Test are shown in Table 4.2.

Table 4.2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.814
Bartlett's Test of Sphericity	Approx. Chi-Square	677.84
	Df	91
	Sig.	0.000

It can be observed from the above table that the KMO value is 0.814 which implies that the factor analysis applied for this data is valid. The significance value is 0.01 which means that the value is significant at 99 % confidence level while the chi-square value for Bartlett's test of Sphericity is 677.84.

The variance and Eigen value extraction of each factor (Supply Chain Competence) are displayed in Table 4.3.

Table 4.3 Variance Explained by Factors of Supply Chain Competence

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.914	27.955	27.955	2.854	20.387	20.387
2	1.422	10.156	38.112	1.868	13.341	33.728
3	1.163	8.309	46.421	1.777	12.693	46.421
4	1.006	7.185	53.606			
5	.881	6.295	59.901			
6	.838	5.988	65.888			
7	.759	5.423	71.311			
8	.728	5.200	76.511			
9	.671	4.794	81.305			
10	.636	4.543	85.848			
11	.589	4.210	90.058			
12	.543	3.877	93.936			
13	.438	3.131	97.066			
14	.411	2.934	100.000			

Factors having eigen value in excess of one are taken as reduced factors. These factors now assume the role of actual factors for further analysis. It can be observed from the above table that the original 14 variables have been segregated into three factors.

Results of Factor Loadings of Supply Chain Competence and the names assigned to each of such factors are depicted in Table 4.4.

Table 4.4 Factor Loadings of Supply Chain Competence

Sl. no	Supply Chain Competence	Component			
		1	2	3	
1	The ability to fill orders with improved accuracy	0.68			Quality and
2	The ability to respond to the needs of key customers	0.65			Services
3	The ability to work with key suppliers	0.64			
4	The ability to respond to a request in a timely manner	0.63			
5	The ability to meet a promised delivery date	0.62			
6	The ability to make high quality products	0.53			
7	The ability to deliver high-quality services	0.50			
8	The ability to design low-pollution delivering process		0.74		Design Effectiveness
9	The ability to enhance supply chain's position in terms of social responsibility		0.72		
10	The ability to design low-pollution production process		0.65		
11	The ability to issue advanced notice on shipping delays			0.68	Operations and Distribution
12	The ability to forecasting sales with greater accuracy			0.67	
13	The ability to enhance supply chain's position in terms of integrity			0.62	
14	The ability to manage supply chain inventory			0.43	

It can be observed from the above table that three factors have been formed. The first factor consists of seven variables, while the other two factors comprise of three variables each. The first factor has been labeled as "quality and service competence", while the

second factor has been designated as "design effectiveness competence" and the third factor has been labeled as "operations and distribution competence".

The reduced three factors explain 46.42 percent of total variance which is fairly significant. Among the three supply chain competence factors, quality and services occupies pivotal position as it alone accounts for 20.38 percent of total variance. This indicates that manufacturing firms attach paramount importance to quality of services among the different supply chain competence variables.

It can be said that manufacturing units differ from each other based largely on 'the level of their quality and services competence'.

4.2.1 Quality and Service Competence

The first factor accommodates variables relating to quality aspects and provision of services to stakeholders. Hence, this factor is designated as "Quality and Service Competence". This factor is the most important factor as it alone explains almost 20% of variance. This suggests the importance attached by manufacturing firms to quality of products and services to the customers, suppliers and other stakeholders of the enterprise.

4.2.2 Design Effectiveness Competence

The next factor has been labeled as "Design Effectiveness Competence". This is the second most important factor as it accounts for 13.34% of the variance. The variables comprising this factor relate to the designing of the manufacturing products and processes related to supply chain, and hence this factor has been labeled as "Design Effectiveness Competence".

4.2.3 Operations and Distribution Competence

The third and final factor is labeled as "Operations and Distribution Competence". The statements loaded under this factor relate to the time element and quality aspects of supply chain issues and ways to improve the operational efficiency of the manufacturing units. The statements loaded under this factor are the ability to enhance supply chain's position in terms of integrity and the ability to manage supply chain inventory. Hence, this factor has been designated as "Operations and Distribution Competence".

4.3 RANKING OF SUPPLY CHAIN COMPETENCE FACTORS

Using factor analysis, the fourteen competence variables are grouped into three factors, namely "Quality and Services competence", "Design Effectiveness Competence" and "Operations and

Distribution competence". Mean values assigned to each of the three supply chain competence are portrayed in Table 4.5.

Table 4.5 Strength of Supply Chain Competence

Competence	Mean	Rank
Design Effectiveness	3.17	I
Operations and Distribution	3.16	II
Quality and Services	3.10	III

It can be inferred from the above table that the mean value in respect of 'design effectiveness competence' is the highest. This implies that design effectiveness seems to be the most dominant factor among manufacturing enterprises.

4.4 SEGMENTATION OF SUPPLY CHAIN COMPETENCE

Manufacturing units have been segregated depending on the similarities exhibited by them regarding the three factors of quality and services competence, design effectiveness competence and operations and distribution competence oriented supply chain competence. Cluster analysis is used for segmentation of manufacturing units based on the degree of supply chain competence possessed by them. Final cluster centers of supply chain competence are displayed in Table 4.6.

Table 4.6 Final Cluster Centers

Supply Chain Competence	Cluster		
	1	2	3
Quality and Services	3.29(I)	2.61(III)	3.23(II)
Design Effectiveness	4.03(I)	2.34(III)	2.95(II)
Operations and Distribution	3.37(II)	2.46(III)	3.43(I)
Average	3.56	2.47	3.20

Manufacturing units surveyed are segmented into three groups. The first segment is labeled as "high competence group" as the supply chain competence of the units comprising this cluster is very high. The second segment is termed as "low supply chain competence group" because their mean value is low and they are ranking very low among all the supply chain competence factors. The third segment is designated as "average supply chain competence group" as their mean is three, which is exactly in the midpoint of the five point scale. Hence, this segment is referred to as "moderate supply chain competence group".

Anova results of supply chain competence clusters are displayed in Table 4.7.

Table 4.7 ANOVA

Supply Chain Competence	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
Quality and Services	10.131	2	0.282	252	35.892	0.000
Design Effectiveness	57.551	2	0.215	252	267.604	0.000
Operations and Distribution	21.410	2	0.305	252	70.268	0.000

The above table displaying the Anova values depicts that all the three supply chain competence factors are playing strong role

in bifurcating the manufacturing units into three groups.

The significant difference in the mean scores of all the three groups in respect of the three supply chain competence factors namely quality and services competence, design effectiveness competence and operations and distribution competence, suggests that the three factors have aptly contributed to the grouping of manufacturing enterprises into three clusters. Characteristics of the three clusters of "low supply chain competence units", "high supply chain competence units" and "moderate supply chain competence units" are briefly explained in the forthcoming paragraphs.

4.4.1 Low Supply Chain Competence Units

The supply chain competence level of this group is the lowest among all the three segments. Mean values for the three supply chain competence related factors of quality and services, design effectiveness and operations and distribution for this group is less than three in the five point scale, signifying that they rank the lowest in quality and services, design effectiveness and operations and distribution related competence and lowest in the overall mean values in respect of all the three supply chain competence factors.

Among the 255 manufacturing units surveyed in UT of Puducherry, 64 units constitute this segment, implying that almost one-quarter of the units surveyed in UT of Puducherry (25.1%) are low supply chain competence units.

4.4.2 High Supply Chain Competence Units

The second segment of manufacturing units with respect to supply chain competence factors is termed as "high supply chain competence units" as manufacturing units constituting this cluster command high level of supply chain competence. This cluster has high level of supply chain competence on quality and services and design effectiveness, while the segment is ranked second in respect of the operations and distribution competence factor. Mean values in respect of this cluster wobble at the highest level in the five point scale. They rank first in all the supply chain competence factors. Almost 35% of manufacturing units surveyed in UT of Puducherry constitute this segment.

4.4.3 Moderate Supply Chain Competence Units

The average means score value in respect of the three supply chain competence factors for this segment is 3.20. As the mean value wobbles around 3 on the five point scale,

which is the intermediate level, this segment may be treated as "average or moderate supply chain competence group". This segment of manufacturing units enjoys high level of operations and distribution competence and moderate level of design effectiveness and quality and service effectiveness competence. Almost 40 percent of manufacturing units surveyed in UT of Puducherry constitute this segment. Numbers of manufacturing firms constituting each cluster are displayed in Table 4.8.

Table 4.8 Number of Cases in each Cluster

Cluster	1	89	35%
	2	64	25%
	3	102	40%
Valid		255	100%

It can be inferred from the above table that the high supply chain competence unit group and the moderate supply chain competence unit group together account for three-fourth (75%) of the total business units surveyed.

4.5 TESTING SUITABILITY OF SUPPLY CHAIN COMPETENCE SEGMENTATION USING DISCRIMINANT ANALYSIS

The manufacturing business units are grouped into three clusters based on their level of competence in supply chain management. The three identified clusters are "high supply chain competence units cluster", "low supply chain competence

units cluster" and "moderate supply chain competence units cluster". 25 percent of the manufacturing units constitute the low supply chain competence units group, while 35 percent of the manufacturing units constitute the high supply chain competence units, and 40 percent of the manufacturing units constitute the moderate supply chain competence units.

The next important issue is to assess whether the segmentation is valid, whether each of the clusters significantly varies among each other and whether the three supply chain competence factors play a role in segregating manufacturing enterprises into three clusters. For this purpose, sample stability and cluster classification reliability has to be verified by Discriminant analysis. The equality of group means in respect of supply chain competence can be inferred from

Table 4.9.

Table 4.9 Tests of Equality of Group Means

Supply Chain Competence	Wilks' Lambda	F	df1	df2	Sig.
Quality and Services	0.778	35.892	2	252	0.000
Design Effectiveness	0.320	267.604	2	252	0.000
Operations and Distribution	0.642	70.268	2	252	0.000

It can be observed from the above table that Wilks' lambda is very low for design effectiveness factor. This implies that there is high difference in the clusters in respect of

design effectiveness competence factor. Mean values in respect of design effectiveness differ significantly among the three segments. Wilks' Lambda for operations and distribution competence factor is high as there is no significant difference among the first and third segments with respect to the average values of operations and distribution. Similarly, the Wilks' Lambda for quality and services competence factors is relatively high, implying that there is not much difference among the first and third segments in respect of the average value of quality and services factor.

The value of F ratio in accordance to the degrees of freedom is very significant. Low significance value implies prevalence of significant difference in supply chain competence level among the three groups. Based on the above two facts, it can be concluded that the process of grouping has been completed aptly.

Eigen values and canonical correlation coefficient have been displayed in Table 4.10

Table 4.10 Eigen Values

Function	Eigen value	% of Variance	Cumulative %	Canonical Correlation
1	2.355[a]	88.1	88.1	0.838
2	0.318[a]	11.9	100.0	0.491

Eigen value in respect of the first discriminant function is very high compared to the second function. For the three clusters, two canonical correlations are formed along with two discriminant functions. The canonical correlation gives the measure of association between discriminant functions and the three supply chain competence factors. The canonical correlation among first function and three supply chain competence factors is very high (0.838), but canonical correlation for the second function is only 0.491. From Table 4.11, it can be inferred that both the canonical correlations are significant.

Table 4.11 Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1 through 2	0.226	373.150	6	0.000
2	0.759	69.296	2	0.000

Wilks' lambda score in respect of the first function is quite low (0.226) implying that the variables constituting this function (design effectiveness) play a vital role in the grouping of manufacturing enterprises into three clusters. Variables constituting the second factor (operations and distribution and quality and service) seem to play a limited role in grouping manufacturing enterprises as the Wilks' lambda score in respect of this factor is 0.759, which is quite high. However, the significance values in

respect of both the factors is 0.000, which implies that both the factors and all the three variables constituting the two factors play a significant role in grouping the units into three clusters. Since the Wilks' lambda score is least in respect of the first factor, it can be concluded that the first factor plays a significant role in categorizing manufacturing enterprises into three clusters.

The Standardized beta values are depicted in Table 4.12.

Table 4.12 Structure Matrix

Supply Chain Competence	Function	
	1	2
Design Effectiveness	0.941*	-0.337
Operations and Distribution	0.373	0.850*
Quality and Service	0.296	0.498*

It can be inferred from the above table that two functions can be formed from the three clusters. The population characteristics may be explained through these two functions.

The two domain functions of discriminant analysis along with standardized beta value are

$Z1$ = 0.941* Design Effectiveness Competence,

$Z2$ = 0.850 * Operations and Distribution Competence+ 0.498* Quality and Service competence.

Territorial Map of Supply Chain Competence is displayed in Figure 4.1.

Canonical Discriminant Function 2
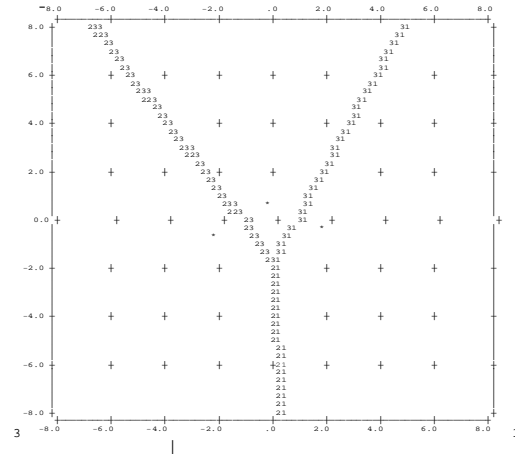
Canonical Discriminant Function 1

Symbols used in territorial map:

1-High Competence, 2-Low Competence,

3- Moderate Competence and *-

Indicates a group Centroid

Figure 4.1 Territorial Map of Supply Chain Competence

From the above figure, it can be inferred that Design Effectiveness forming part of the first function plays a significant role in formation of first and second clusters namely, "High Supply Chain Competence Units" and "Low Supply Chain Competence Units". The variable of Operations and Distribution factor comprising the second function plays a significant role in formation of first and third clusters namely, "High supply Chain Competence Units" and Moderate supply Chain Competence Units",

while the other variable of "Quality and Services Competence factor" comprising the second function plays a significant role in formation of the second and third clusters of "Moderate Supply Chain Competence Units" and "Low Supply Chain Competence Units".

Group centroids of supply chain competence clusters are portrayed in Figure 4.2.
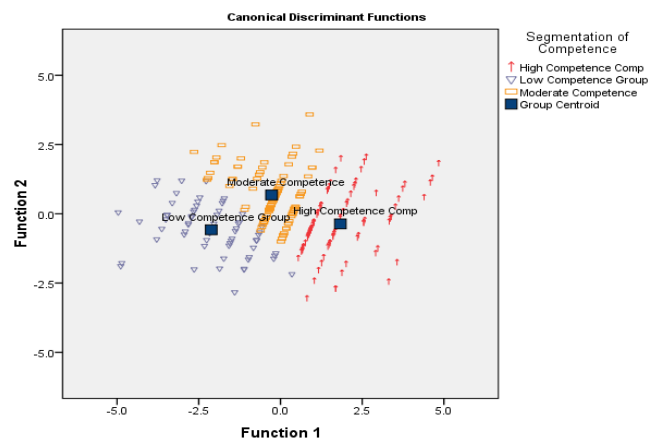
Figure 4.2 Group Centroids for Supply Chain Competence Clusters

The above group centroids figure indicates that the entire three clusters are unique clusters containing dissimilar centroids group and dissimilar average values. The components of each cluster are homogeneous, whereas the clusters are heterogeneous in character.

Degrees of success based on the supply chain competence are depicted in Table 4.13.

Table 4.13 Extent of Correct Classification

| | Segmentation of Competence | Predicted Group Membership | | | Total |
		High Competence Units	Low Competence Units	Moderate Competence Units	
Count	High Competence Units	89	0	0	89
	Low Competence Units	1	60	3	64
	Moderate Competence Units	0	2	100	102
%	High Competence Units	100	0	0	100
	Low Competence Units	1.6	93.8	4.7	100
	Moderate Competence Units	0	2.0	98	100

The above table displays the number of cases constituting each cluster and the percentage of proper classification and unclassification of the items. It can be observed that 100 percent of high supply chain competence units segments are correctly classified as only 1 case is included in low supply chain competence units segment. In the case of low supply chain competence units segment, 60 cases accounting for 93.8 percent are correctly classified. In the case of moderate supply chain competence units, 98.0 percent of the units are properly classified. Hence, it can be concluded that segmentation of manufacturing enterprises in UT of Puducherry, based on supply chain competence, is correct by more than 97.6%.

5. CONCLUSIONS AND IMPLICATIONS

Manufacturing Industry in Union Territory of Puducherry are according paramount importance to the ability to make high quality products, followed by importance to response to needs of key customers, working with key suppliers, response to requests in timely manner, delivery of high quality service, prompt deliveries, fill orders with improved accuracy, manage supply chain inventory, forecast sales with great accuracy, enhance supply chain position in terms of social responsibility, design low pollution delivery process, supply chain integrity, design low pollution production process and issue notice on shipping delays in advance. This implies that the manufacturing units are endeavouring to improve their supply chain competency by improving the quality of the products they produce, while they are showing least interest on issuing notice on shipping delays in advance. Supply chain competence of the manufacturing enterprises has been analysed based on the three factors namely design effectiveness, quality and services, and operations and distribution. The enterprises have been clustered based on supply chain competence into three groups namely: high supply chain competence group, low supply chain competence group and average supply chain competence group.

Supply chain competence of manufacturing firm variable shall differ among the manufacturing firms with different nature. Hence, this study has made an attempt to analyse the difference existing among the manufacturing firms in Indian context. Understanding the characteristics of manufacturing enterprises with respect to supply chain competence will be useful to the policy makers and practitioners. The policy makers can frame suitable industrial policies to attract good investments. The practitioners of manufacturing enterprises can alter or tailor their strategy to suit to the needs of the manufacturing enterprises in Indian context.

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Organizational commitment and Job Satisfaction: A study of Manufacturing Sector

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ABSTRACT

Everyone has some attributes and traits within their personality; few are loyal towards their organization as they want to be but few are loyal or committed because they feel attached to the organization. Job satisfaction is also one of the most important factors in the organization. If employees are satisfied with organization's policies then they will stay for long time with the organization. So the organizational commitment and job satisfaction are strong contributors in any organization & many a times success of the organization depends on these two factors. Although numerous research works have been done to study the relationship between organizational commitment and job satisfaction, no such research is still reported on the present context. The present research has been done on the employees of the manufacturing organizations in Gwalior, which resulted in the expected outcome stating that job satisfaction plays a significant role in achieving a committed workforce.

Introduction

Organizational Commitment

Organization commitment plays an important role in any organization as employees much satisfied and committed naturally work better in organization and improve the productivity of the organizations (Oshagbemi, 1997; Yousef, 2000). According to Jaros (1997), organizational commitment is an important part of an employee's psychological state because employees who experience high organizational commitment are theorized to engage in behaviour such as citizenship activities and high job performance that are believed to be beneficial to the organization. Organizational commitment is a psychological state that binds the individual to organization in which they work (Allen & Mayer, 1991). Organizational commitment can influence organizational productivity and employee's

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wellbeing (Meyer and Herscovitch 2001). Meyer and Allen (1997) argue that organizational commitment consists of individual's psychological status which specifies the individual's relation with organization that leads to making decision about staying with the organization. Moday, et al (1982) also define organizational commitment as staff's holding conviction to organizational goals and values, having tendency toward significant efforts representing organization as well as high interest in maintaining one's membership in organization.

Researchers explained in their studies that organizational commitment is important factor to be familiar with organizational behaviour. Commitment to the organization is the strength of involvement with an organization (Brown 1969; Hall and Schneider 1972; Moday et al. 1979).

Job Satisfaction

Job satisfaction can be defined as that extent to which an employee or worker will be satisfied with their job and what is their feeling about different phases of their job. As we can see in the healthcare industries or in social work, women are less satisfied then men. Job satisfaction also is the perception (negative or positive) of an individual towards their job. According one study, individuals extremely satisfied with their work, coworkers and earnings will be more satisfied with their job. If an individual carries feeling of obligation and committed with his/her job then he/she will get more satisfaction and happiness. Brief (1998:86) defines job satisfaction as "an internal state that is expressed by affectively and/or cognitively evaluating an experienced job with some degree of favor or disfavour". In general job satisfaction is the positive feeling about the job of an individual. Work is an important part of an individual's life and most of the time from people's life gets spent on their workplace for doing work; so it is important to know the factors related to job satisfaction. In Hackman and Oldham's (1980:160) definition of job satisfaction, job satisfaction exists when a job contains the following components: task identity, skill variety, task significance, autonomy, and feedback.

Schematic diagram of Research Framework
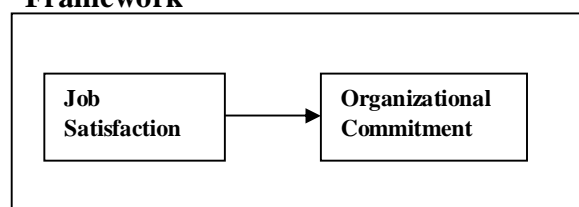
Jamaludin (2009) tried to find out how organizational commitment can be

increased in the workplace. He established the relationship between organizational justice, organizational behavior and organizational commitment and found that procedural justice is more important to develop continuance and normative commitment and interactional justice is powerful influence of affective commitment. In this study he has not found any important impact of distributive justice in organizational commitment. Akhtar, Saleem et al (2012) found out that organizations should enhance the self efficacy of the employees which may lead to retention of employees of the organizations for longer time. They have also conducted studied on banks and have concluded that public sector banks should adopt the values and policies of private sector banks so that they can develop organizational culture to raise commitment of the employees towards their organizations.

Altindis (2011) observed the relationship between organizational commitment and motivation in health professionals and has explained that health professionals with emotional commitment voluntarily participate in organizational activity. Md. Yusof

(2007) described that some of the organizations are not properly administered by owner of the organization, which is why some of the employees feel overworked. If the employees performed their duties well on the job, then they will be appreciated by their employer; if they are not appreciated by their boss then employee's motivation decreases. This means that in any organization there should be proper communication between the employee and management and a people friendly environment should be formed. Sarboland (2012) revealed the relationship between emotional intelligence and organizational commitment among tax officers. They have observed that the employees who have high emotional intelligence are having high commitment towards their organization and the employees who are highly committed towards their organizations need to increase their emotional intelligence.

Malik et al (2011) stated that the performance of the employees is associated with their organizational commitment. As professors and lecturers are serving their

duties to their institutions they will be more committed if there is fairness in provisions of rewards and its procedures with their institutions. Marc (2010) studied in his research, the effect of national cultural values' self efficacy on organizational commitment. In this study he explained that impact of globalization is changing the business environment and interaction with different cultures in today's scenario. Perry, et al (2011), described in their paper that they studied the perceived empowerment practices, service efforts and turnover intensions among Chinese employees of service sector and also found out the role of job attitude towards this relationship. They explained that job satisfaction among employees involves work environment and organizational commitment, described as the emotional commitment, towards their organization.

Sharma (2006) found out in his paper, which is on the organizational commitment and its determinant, and explained through this study that personal and situational factors both contribute to the organizational commitment of an employee. Ghorbani, et al (2012) revealed that there is positive relationship between organizational commitment and emotional intelligence.

People can achieve higher success by having general intelligence.

Mohamed, et al (2012) did a research on private banking sector employees and studied that there should be managers appointed who can recruit a satisfied and committed workforce. The result of this study supports leadership in managers, which can promote interdepartmental relationship among employees. Okpara (2004) explained that there is positive relationship between job satisfaction and organizational commitment. The study stated that if employees are satisfied with their work, coworkers, and supervision in the industry then they will be highly satisfied. The US employees are more satisfied than Nigerian employees in US MNCs. Khan, et al found out the relationship between organizational commitment, job satisfaction, turnover intension & procedural justice and explained the level of procedural justice in taking any decision. In any organization there may be different situations where fairness of justice is needed, like in allocation of resources in an institution, fair distribution of wages between male and female employees, etc.

Mohamadkhani, et al (2012) have reviewed literature and concluded that satisfied employees are more committed in organizations in hotel industry and also that emotional intelligence directly correlated with the commitment of the employees towards organization. This study resulted in a positive significant relationship between emotional self-awareness and maintaining membership. The hotel employees understand their own feelings, emotions and excitements and can compare it with other more enthusiastic ones to maintain and keep their job and feel good as they work with the organizations. Wegge, et al., (2004) depicted that there is correlation between job satisfaction and absenteeism and job involvement. Parvin, et al. (2011), describes about different factors contributing to affecting job satisfaction. This research explained that experience of work (pharmaceutical type) and other demographic variables leave impact on job satisfaction of the employees. They also found out that job satisfaction level of pharmaceutical company's employees was always at positive level. As they want competitive advantages in market, they should increase the level of satisfaction of their employees. Khan, et al., (2010) revealed that there is a positive relationship

between job performance and organizational commitment of employees of oil and gas sector. They also found out that male employees perform better than female employees.

Objectives of the study:

- To develop and standardize a measure for evaluating job satisfaction.

- To develop and standardize a measure for evaluating organizational commitment.

- To develop relationship between job satisfaction and organizational commitment.

- To evaluate the impact of job satisfaction on organizational commitment.

- To open new vistas of further research.

Research methodology:

The study is an empirical analysis since it is finding out the significant relationship between two variables. It involves questionnaire method to collect data from 150 respondents, in which target population was the employees from manufacturing organizations of Malanpur, Gwalior.

Individual employee was the sample element. Non Probability purposive quota sampling technique was used to select sample. Questionnaires were given to the respondents to fill out. From the questionnaire we are able to match the research questions posed with specific hypothesis tested; Likert type scale was used to collected data, where 1 indicated 'highly disagree' and 5 indicated 'highly agree'; researcher used tools for data analysis like 'item to total' correlation to check the internal consistency of questionnaires and then Reliability tests were applied to check the reliability of the questionnaires, in which we used cronbach alpha which is the measure by which we find reliability of the questionnaires; then we have used regression test to find out the cause and effect relationship between two variables.

Hypothesis Formation:

Ho: There is no relationship between job satisfaction and organizational commitment among employees of manufacturing unit.

Result and discussion:

Firstly consistency of all the items in the questionnaire was checked through item to total correlation. **Table 1 and Table 2** shows that under this correlation, every

item with total was measured and its value is found good.

Table 1

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Item-Total Statistics					
VAR00001	43.8993	51.132	.438	.268	.800
VAR00002	44.2483	50.837	.514	.315	.795
VAR00003	44.0268	53.851	.330	.229	.808
VAR00004	44.3423	51.754	.417	.299	.802
VAR00005	44.2886	49.153	.586	.454	.788
VAR00006	44.4161	52.569	.346	.193	.808
VAR00007	44.1409	49.189	.501	.352	.795
VAR00008	44.3490	52.053	.373	.223	.806
VAR00009	44.1745	50.956	.529	.362	.794
VAR00010	44.1812	52.528	.350	.205	.807
VAR00011	44.3423	50.389	.473	.363	.797
VAR00012	44.2685	50.495	.460	.305	.799
VAR00013	44.3557	50.312	.507	.315	.795

Table 2

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Item-Total Statistics					
VAR00001	29.7047	22.655	.495	.346	.715
VAR00002	29.9396	23.733	.468	.341	.721
VAR00003	29.9128	23.256	.495	.332	.717
VAR00004	30.1812	24.014	.408	.295	.730
VAR00005	30.1745	21.861	.548	.401	.705
VAR00006	30.3557	22.879	.406	.369	.731
VAR00007	29.7584	23.603	.380	.261	.735
VAR00008	29.9866	24.851	.244	.200	.757
VAR00009	29.8926	23.583	.429	.245	.726

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.750	.753	9

Reliability test was carried out by using SPSS software and the reliability value through Cronbach's Alpha method was 0.812 of first questionnaire and 0.752 of second questionnaire and we can see the value is > 0.7 indicating that the questionnaires are highly reliable and can be considered for our study.

Reliability of organizational commitment:

Reliability of Job satisfaction:

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.812	.812	13

Regression: Regression is used to find out the impact of one variable on another variable as here we find out the impact of job satisfaction on organizational commitment. For this we used linear regression application in SPSS Software and we found out the values of R-square, which is 0.115. It indicates that job satisfaction contributes 11.5% in organizational commitment of employees. We have calculated F-value in our study, which is 19.134 and it means that the model is best fitted and has high predictability; B-value is found to be 0.339 which is significant at 0% level of significance, indicating that there is a positive relationship between job satisfaction and organizational commitment. In this case the hypothesis was rejected and we can say that the independent variable (job satisfaction) has significant impact on dependent variables (organizational commitment). The value of regression is 0.00, which is less than 0.005 - so we can say that the null hypothesis is rejected and there is an impact of job satisfaction on organizational commitment.

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	22.409	2.623		8.544	.000
Job satisfaction	.236	.054	.339	4.374	.000
a. Dependent Variable: organizational commitment					

Discussions:

In our study the independent variable 'job satisfaction' has a positive impact on dependent variable 'organizational commitment'; there are many determinants like employee turnover, absenteeism and many more and our findings are consistent with Tett and Meyer's (1993) that executives can be more attached to their work than to the work. And Lisa M. Moynihan, et al (2000), in their studies have inferred that job satisfaction is somewhat of what people expect from their job and what they are actually receiving; so, if an employee expect a lot and gets little then many a times they will be unsatisfied. The results are related with Norazah Mohd Suki and Norbayah Mohd Suki (2011).

CONCLUSIONS

The present study has attempted to examine the impact of job satisfaction on organizational commitment i.e. studied on the employees of three different manufacturing organization and for that we have applied reliability tests, correlation and cronbach's alpha value, for testing reliability of items and then we found that the reliability was > 0.7, which means that items are highly reliable and internal consistency is also good which is > 0.14 and the study is based on finding the impact of job satisfaction on organizational commitment. For this we have used regression analysis and found that B-value is significant at 0% level of significance indicating strong positive relationship between job satisfaction and organizational commitment. So we can say that the null hypothesis is rejected and that there is an impact of job satisfaction on organizational commitment.

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ANNEXURE:

Table: showing that F-value and R-squre value

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change statistics					Durbin- watson
					R Square Change	F Change	df1	df2	Sig F- change	
1	.339[a]	.115	.109	5.05594	.115	19.134	1	147	.0001	.872

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	489.105	1	489.105	19.134	.000[a]
	Residual	3757.687	147	25.562		
	Total	4246.792	148			
a. Predictors: (Constant), job satisfaction						
b. Dependent Variable: organizational commitment						

Table showing reliability of each and every question of job satisfaction questionnaire

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.686	3.503	4.020	.517	1.148	.022	13

Table showing reliability of each question, which we have taken in our questionnaire on organizational commitment.

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.749	3.383	4.034	.651	1.192	.045	9

Regression Test:

Table Showing comparison between organizational commitment and Job Satisfaction

Descriptive Statistics

	Mean	Std. Deviation	N
Organizational commitment	33.7383	5.35673	149
Job satisfaction	47.9195	7.68951	149

Correlations

		organisationalcommitment	jobsatisfaction
Pearson Correlation	Organisational commitment	1.000	.339
	Job satisfaction	.339	1.000
Sig. (1-tailed)	Organizational commitment	.	.000
	Job satisfaction	.000	.
N	Organizational commitment	149	149
	Job satisfaction	149	149

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	27.3741	37.0671	33.7383	1.81790	149
Residual	-18.46653	11.00629	.00000	5.03883	149
Std. Predicted Value	-3.501	1.831	.000	1.000	149
Std. Residual	-3.652	2.177	.000	.997	149

a. Dependent Variable: organizational commitment

Histogram

Dependent Variable: organisationalcommitment

Mean = 3.49E-16
Std. Dev. = 0.997
N = 149
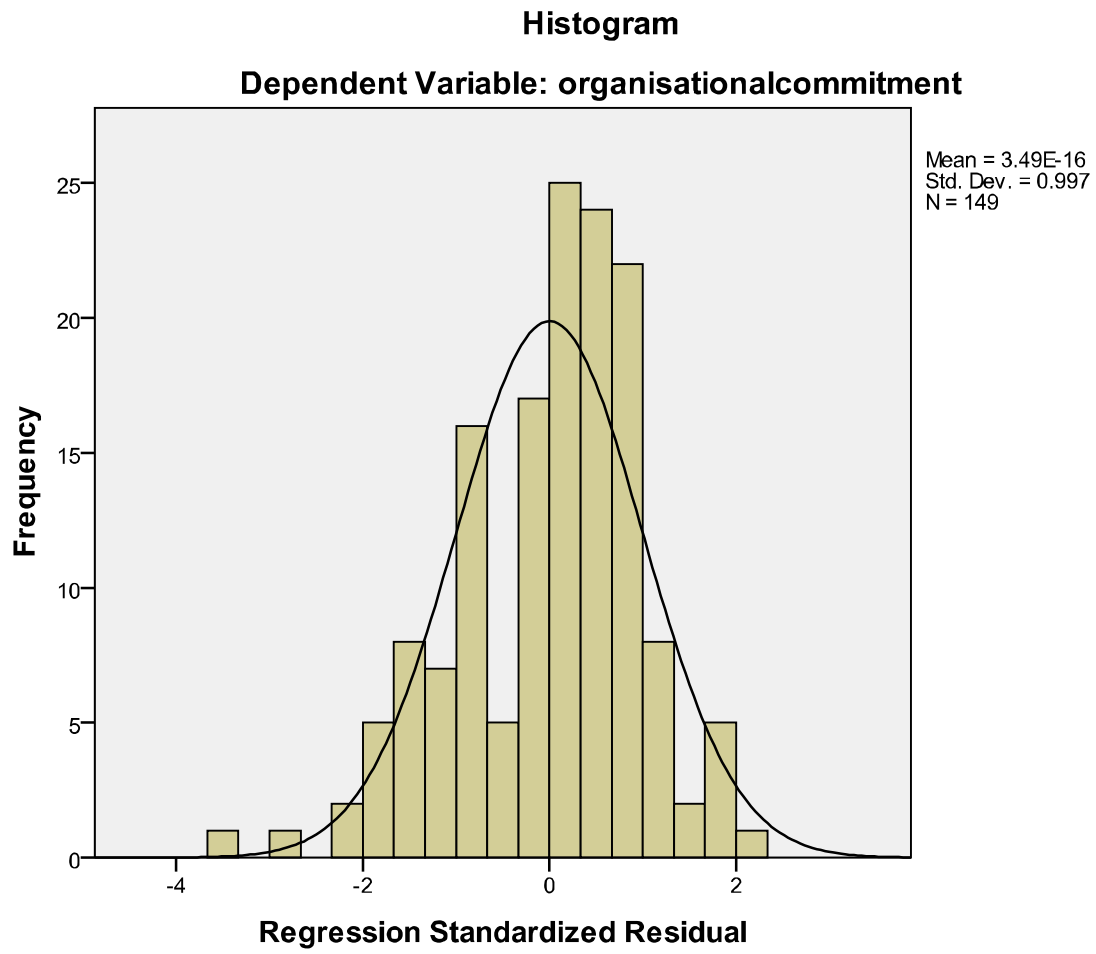
Scatterplot

Dependent Variable: organisationalcommitment
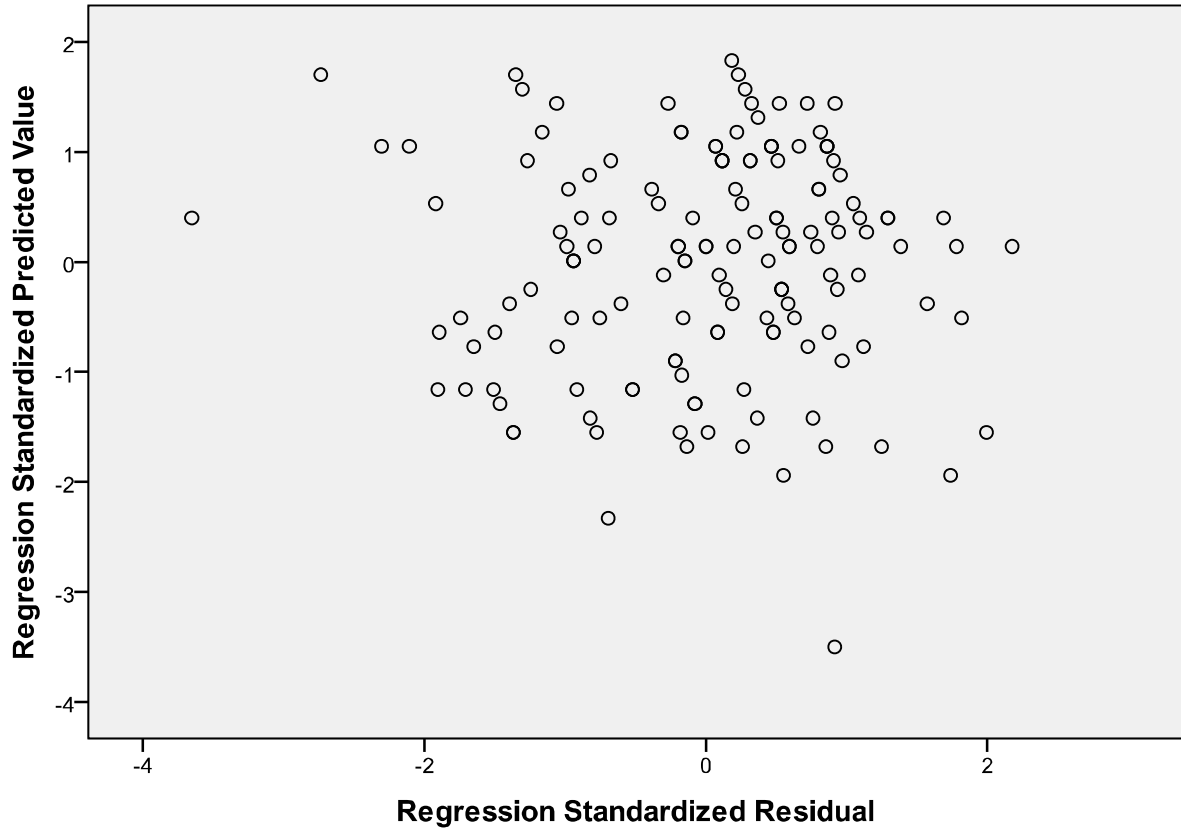
A Study On Women Entrepreneurs In Beauty Care Service Industry With Special Reference To Virdhunagar District

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Abstract:

The field of entrepreneurship is characterized by competition, financial gain and independence, and the socio-economic setting provides a base for individuals to venture into entrepreneurship. Individuals perform the entrepreneurial role because of a desire to achieve, and individuals with a high need for achievement venture into enterprise building, whether small or large. This paper presents findings on the reasons why women group venture into business and what motivates them to do so. The analysis is based on primary data collected from district of Virudhunagar.

Though the central government and state governments have launched many entrepreneurial development programmes especially for women, there is no remarkable achievement in rural areas in this direction. Therefore, an attempt has been made to identify the problems faced by women Entrepreneurs and to take suitable remedial measures to overcome their problems.

PREAMBLE:-

Entrepreneurs exhibit determination to make their business dream a reality; this is fuelled by a position for success. The pursuit of an entrepreneurial opportunity is an evolutionary process in which entrepreneurs select out many steps along the way, make decisions to positively evaluate opportunities, to pursue resources and to design the mechanism of exploitation.

Traditionally, women's occupational status has always been closely associated with the home and the family. She has only a secondary status because she is economically dependent on her father or husband. In both the industrially advance and less developed countries women are bound with cumulative inequality as a result of social – Cultural and economic discriminating

The role and degree of integration of women in economic development is always an indicator of women's independence, social status and also is a measure of women's contribution to the economic development.

STATEMENT OF PROBLEM:-

A large number of women are mainly engaged in subsistence agriculture as well as in micro and small-scale enterprises (MSE). In most of the developing countries women constitute 70-80 per cent of the total agricultural labour force and they account for over 80 per cent of food production. It is not surprising therefore to find many women engaged in food processing, weaving, personal services, beverage preparation and selling of snack foods. In the MSE sector worldwide, women make up one-

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population and in manufacturing they constitute one-third of the global labour force. In addition to their economic and income-generating activities, women assume multi-faceted roles in society, i.e. as breadwinner of a family, unpaid family worker, service providers in the communities and mother/care-taker of the family. Hence, this paper attempts on the reasons why women group venture into business and what motivates them to do so.

REVIEW OF LITERATURE:-

Ms. Themozhi G., in her study titled "A Study on Women Entrepreneurship in Coimbatore District", has provided the status of women and motivational factors with their relation to socio – economic background. She has covered the entrepreneurial performance of women and also the various constraints encountered by women.

Ms. Chandra P. in her study "Women Entrepreneurs – A Study with Special reference to beauty parlours in Virudhunagar District" has found that majority of the beauty parlour women entrepreneurs have been facing financial problems.

Ms. Nisha Ashokan, in her study titled "Measuring the Performance of Enterprises run by Women Entrepreneurs in Chennai", has analysed the financial efficiency and the financial stability of enterprises run by women.

OBJECTIVES OF THE STUDY:-

❖ To know the socio economic background of women entrepreneurs.

❖ To study the success factors of women entrepreneurs in beauty care service.

METHODOLOGY:-

The present study is an empirical one, based on survey method. The data were collected from both primary and secondary sources. The primary data were collected from women entrepreneur who engaged in beauty care service by means of interview schedule. The study aims at analyzing women entrepreneurs engaged in beauty care services and their problems on starting and carrying out beauty care service.
The collected data were tabulated and analysed in a systematic manner. Percentage analysis, Descriptive analysis, Statistics, ANOVA and Factor analysis was administered to test the hypotheses.

I. TOOLS OF ANALYSIS:-
AGE-WISE CLASSIFICATION OF RESPONDENT

The Age is an important aspect of self development since the resistance to change is relatively less when older. The young are generally interested in learning things and taking risks, essential for entrepreneurship. But elders have more knowledge and experience. Therefore, the age of the women entrepreneurs is included in the present study.

Age-wise classification of respondents

S.NO	Age Group	No. of Respondents	Percentage
1	Below 30	20	20.0
2	30 to 40	42	42.0

3	40 to 50	33	33.0
4	Above 50	5	5.0
Total		100	100

Source: Primary Data

The Table shows clearly that 20 percent respondents belong to the age group below 30 years, 42 percent of them between the age group of 30 to 40 years, 33 percent of them belong to 40 to 50 year age group and 5 percent of them belong to the age group above 50 years.

Inference:

95 per cent of the study respondents are less than 50 years of age.

MARITAL STATUS OF THE ENTREPRENEURS

The marital status of the women entrepreneurs may influence the need of finance and the mode of earnings. It may also determine the ability to start an enterprise and selection of the enterprise. It can influence the psychological frame work of entrepreneurs. In the present study the marital status of women entrepreneurs is classified as single, married, divorcee and widow.

Marital status of the Respondents

S.NO	Marital Status	No. of Respondents	Percentage
1	Single	20	20.0
2	Married	55	55.0
3	Divorcee	14	14.0
4	Widow	11	11.0
Total		100	100

SOURCE: Primary Data

Above table reveals that out of 100 entrepreneurs a maximum of 55 per cent women entrepreneurs are married, 20 per cent of the entrepreneurs are single, 14 per cent of the entrepreneurs are divorcee and remaining 11 per cent of the respondents are widows.

Inference:

Most of the respondents of the study are married.

II Motivational factor:-

The role of women entrepreneurs in the process of economic development has been recognized from nineties in various parts of the world. Today, in the world of business, women entrepreneurship has become an essential movement in many countries and has been accepted in all areas of working. The United Nations report has also concluded that economic development is closely related to the advancement of women. In nations where women have advanced, economic growth has usually been steady. By contrast, in countries where women have been restricted the economy has been stagnant. Women become entrepreneurs due to several factors which may be grouped under **"Pull factors"** and **"Push factors".**

Factors influencing the women entrepreneurs are pull factors and push factors.

Pull factors are encouraging factors, they are:

1. Desire to do something.

2. Need for independence.

3. Availability of finance.

4. Concessions and subsidies given by the govt.

Push factors are compelling factors, they are:

1. Unfortunate family circumstances (death of husband & or father).

 2. Financial difficulties.

3. Responsibility towards family.

A) Ambition Factors s

Respondents' Ambition Factors to start the Beauty Parlour

Ambition factors		Ranks			
		1.00	2.00	3.00	4.00
Self Employment	Count	40	20	18	22
	%	40.0%	20.0%	18.0%	22.0%
To Improve Status	Count	30	21	17	32
	%	30.0%	21.0%	17.0%	32.0%
To earn money	Count	38	27	30	5
	%	38.0%	27.0%	30.0%	5.0%
Family business	Count	19	24	33	24
	%	19.0%	24.0%	33.0%	24.0%

Source: Primary Data

Descriptive Statistics

Ambition Factors	N	Mean	Std. deviation
Self Employment	100	2.1900	1.04151
To Improve status	100	3.1700	1.09226
TO Earn money	100	2.0200	.94259
Family business	100	2.6200	1.05198
Valid N (list wise)	100		

The above Table shows that the respondents' ambition to start the parlour is to earn money followed by self employment, family business and to improve status.

B) Opportunity Factors:-

Respondents' Opportunity Factors to start the Parlour

Opportunity factors		Ranks			
		1.00	2.00	3.00	4.00
Govt. support	Count	4	14	32	50
	%	4.0%	14.0%	32.0%	50.0%
Low investment	Count	33	15	28	24
	%	33.0%	15.0%	28.0%	24.0%
Previous experience	Count	36	33	20	11
	%	36.0%	33.0%	20.0%	11.0%
Education in this field	Count	29	35	21	15
	%	29.0%	35.0%	21.0%	15.0%

Source: Primary Data

Descriptive Statistics

Opportunity Factors	N	Mean	Std. deviation
Govt. support	100	3.2800	0.85375
Low investment	100	2.4300	1.18283
Previous experience	100	2.0600	1.00323
Education in this field	100	2.2200	1.03064
Valid N(list wise)	100		

From the Table it is found that the respondents' opportunity factor to start the parlour are previous experience, followed by education in this field, low investment and the government support

Suggestions:-

❖ Entrepreneurship is a dynamic concept and no specific personality attribute can generate success. However, the technical knowledge and skill, parental support, previous job experience may help an entrepreneur to compete successfully in the market.

❖ An awareness of various entrepreneurial risks helps an entrepreneur to build up strategies to control / counter them and become successful.

❖ The location advantage is also a factor of success. It decides the direction of development of grass root entrepreneurship.

Findings:

The various problems which stand in the way of speedy growth of women entrepreneurs have been listed. In addition to them, some suggestions are also made.

❖ 95 Percent of the study respondents are less than 50 years of age.

❖ Most of the respondents of the present study are married.

❖ The respondent's ambition factor to start the parlour is to earn money followed by self employment, family business and to improve status.

❖ The respondents' opportunity factor to start the parlour is previous experiences followed by education in this field, low investment and the government support.

Conclusion:-

Entrepreneurial movement started late and is still in its infancy. The movement requires *pre and post follow up support* to utilize women power in the country's economic development. A *co-ordinate role of the government and voluntary agencies with an integrated approach* will help to develop women entrepreneurship.

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Awareness of Life Skills for Job Sustainability amongst Management Students

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ABSTRACT

: Indian youth has upgraded itself with apps and technologies but lacks the necessary skills required for sustainability both in personal and professional dimensions. They are devoid of most of the life skills required for growth and job search. Though India has become a hub of MBA colleges with booming MBA or equivalent programmes, only 10 % of India's MBA graduates are employable.

In an education hungry country, running a college has become something of a status symbol. Every year lakhs of B school MBA students appear in interview and try their luck for employability but they are lacking skills essential for survival. This research is an attempt to find out the level of awareness of life skills, among professional students, which are deemed necessary by any employer from an employee. A primary research was done in this direction with 100 MBA students chosen as respondents in Nagpur. 10 life skills were chosen for framing questionnaire.

Key words: Youth, job, demographic dividend, life skills, professional students.

I. INTRODUCTION

"We want that education by which character is formed, strength of mind is increased, the intellect is expanded and by which one can stand on one's own feet. Education is manifestation of the perfection already in man"

- Swami Vivekananda

Still, the irony reflects in a paper released by industry body ASSOCHAM on" *B-schools and engineering colleges shut down"* points out that only 10 % of India's MBA graduates are employable.. This has led to further slashing down of campus recruitment by 40 % in the year 2012. Almost a vast majority of MBA students, and why only MBA the other professional students too, are struggling hard to find a worthy & meaningful employment these days.

As per NASSCOM (National Association of Software Companies) each year 3 million graduates and post graduates are added to Indian workforce. Young job seekers account for nearly 49 % of the total unemployed in India. Reports further suggest that 76 % companies expect to recruit MBA graduates in 2013, which is up from 69% last year.

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But the lacuna is that out of this only 25 % of technical graduates and 10-15 % of other graduates are considered employable. The disparity is evident. It points out the thin availability of high quality education in India. Still the galloping pace at which our service driven economy is growing, is faster than most of the countries around globe. Projections further indicate that India would require, in next decade, about six million additional software professionals.

II.   JOB EMPLOYABILITY

As per the 2011 census, youth account for 20% of the total population. More than 700 million Indians are expected to be in working age group by 2022. Recruiters are ready to pay a hefty package, but this comes along with high and demanding expectations. They are craving for candidates who are tailor-made for that particular job. This doesn't necessarily imply that they are looking for superwomen or superman but certainly are looking for a knowledge worker who is adept with skills, abilities and attitude to perform the job.

 Employers are seeking initiative, motivation, integrity and the desired competency to meet deadlines, setting aside external or internal pressures and obstacles. They don't want an individual who requires months to brush himself. They want their job to be done efficiently from day one. In such a scenario what is lacking in our Indian youth? The curriculum is designed and redesigned to meet industry expectations; still we falter.

A global study by **Programme for International Student Assessment, PISA,** conducted by OECD ranked India at 72 and 73 out of total 74 countries in the year 2009. This testing is basically done after every three years to test mathematics, science and reading skills of 15 year-olds or less school pupils.   This claim further cements itself with FICCI skills report 2012, proving that only 10% Indians receive any skill training. The same report enfolds that the World   Economic Forum indicates that only 25% of total Indian professionals are considered employable by organized sector. The scenario is raising alarm, as by year 2030 half of India's population will be younger than 28. With these statistics, introspection is required from our galloping education sector.

The quality at the top of the pyramid supersedes but falls at base. The reasons are obvious. Since day one the child is taught to memorize without understanding a single word of it. By the time they reach professional college they are parrots who reproduce everything without any logic. If only schools and colleges would have adopted life skills education, the gloomy scenario wouldn't have existed. The crux of the problem is that critical thinking, problem solving and application of concepts are in short supply among our youth as they never had exposure to it. As the gap widens betweens industry expectations and talent available, it leads to suffering of industry's competitiveness which calls for life skills learning.

III.   LIFE SKILLS:

According to Wikipedia life skills are problem solving behaviors used appropriately and responsibly in the management of personal

affairs. They are set of human skills acquired via teaching or direct experience that are used to handle problems and questions commonly encountered in daily life. As per WHO, life skills education is designed to facilitate the practice and reinforcement of psychological skills in a culturally and developmentally appropriate way. It contributed to the promotion of personal and social development, the prevention of health and social problem and protection of human rights. Around the world, Life Skills-Based Education (LSBE) is being adopted as a means to empower young people in challenging situations.

The **ten life skills** are:

1. Self awareness building skills-To know thyself. To be aware of rights and responsibilities; To have confidence.

2. Empathy-To be sensitive towards others feelings; To show care towards people with disability and HIV infected patients

3. Interpersonal relationship skills- To be able to develop & nurture   supportive networks; To be able to end relationships constructively - Helps adolescents to relate with people in positive ways

4. Effective communication-To know about verbal and non-verbal communication skills; To know when to speak and when to be silent; Be an active listener.

5. Critical thinking skills-Ability to analyze information and experiences in an objective manner; Helps adolescents to recognize and to assess the factors influencing attitude & behavior - values, pressures from peer and family; Key to form right attitudes towards life and assists in developing responsible behavior

6. Creative thinking- Enables to explore available alternatives and consequences of actions; Contributes to Decision Making & Problem Solving; Helps adolescents to respond adaptively and with flexibility to daily life situations.

7. Decision making skills- The ability to develop, prioritize and attain goals of life; To be able to choose life style, food habits, hobbies and study subject of their own choice; Be assertive to say no to alcohol, drugs and be able to cope up with stress, STD, AIDS.

8. Problem solving skills-To be aware about problems and to deal with them step by step.

9. Coping with stress-To be aware of the sources of stress; To deal in dignified and mature manner when stress arises and to cope with it effectively.

10. Coping with Emotions-To be aware of one's emotions; To know how emotions affect our personality and behavior.

IV CURRENT SCENARIO

A deliberate attempt needs to be made to bring in these life skills in curriculum. Often, it is equalized with value education. Life skills education is a very important and integral part of an education system, worldwide. In Indian schools, however, life skills education is yet to be fully initiated and recognized as an integral part of the curriculum. The CBSE has presently introduced in 2012 life skills training programme as part of continuous and comprehensive evaluation targeted at the adolescent students between 10-18 years of age. But most often it is confused with vocational education. A lot of thought needs to be given on how to bring life skills

education into the mainstream curriculum. It needs to be imparted from the beginning so that child is ready for future horizons.

Lack of life skills, especially interpersonal relations skills has raised the divorce rate. In 1980 New Delhi had two courts that deal with divorce; today there are 16. Most of the divorce rates are in the age group of 25-35 years. Coping with stress and emotions too need to be tackled. 15 suicides took place every one hour during the year 2012. The stress level among Indian women is 87% as compared to other nations especially USA which is 53 %.

The rising unemployment among youths leads to rising crime rate. As per National Crime Records Bureau {NCRB} crime against women has risen by 41 % in India. Educated but unemployed young job seekers make 49 % of total unemployed in India and are prone to evil deeds. With current economic growth the problem is further aggravated as more than 75 % of new job opportunities are expected to be skill based.

The situation is alarming as India will have demographic dividend by the year 2030, which means more working age population vis-a-vis its population. With this, there will be sudden influx of unemployment and disgruntled youth will arise, which will be difficult to control.

V. RESEARCH METHODOLOGY

Objective: To identify the important factors affecting employability of MBA students

Sample Size: 100 students from a management institute in Nagpur.

Sampling Technique Used: Random sampling technique was used

Data: Primary data by administering structured questionnaire compromising of 20 questions, to the respondents, with 2 questions from each life skill.

Self Awareness   Q1
Have self control, Awareness   about rights and responsibilities
Empathy   Q2
Prejudice and discriminate against people , Caring for people with disability
Interpersonal relationship skills Q3A, Q3B
Value relationships with friends and families, Survive loss of friendships in a mature manner
Communication Q4
Basic verbal and nonverbal communication skills, Opine freely without any fear
Critical thinkingQ5
Analyze information in an objective manner, Choices and risk influenced by peers
Creative thinking Q6A, Q6B
Develop capacity to think in creative ways, Adapt easily to changing social circumstances
Decision making Q7
Steps for decision making, Decision about

important life plans
Problem solving Q8A, Q8B
Disturbed by problems, Awareness about Conflict resolution
Coping with stress Q9
Sources of stress in our life, Control levels of stress
Coping with emotions Q10
Respond to emotions appropriately, How emotions affect the way we behave

VI. DATA INTERPRETATION

Self awareness

Two answers were combined to get an average score from the question regarding self awareness life skill**.** The figure shows that 82% of MBA students are having self awareness. Same way, average score for the rest of the answers has been done**.**
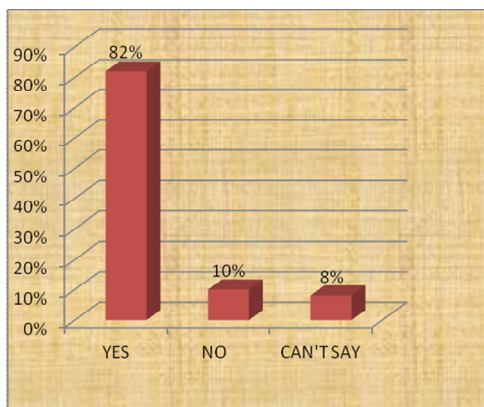
Emp athy-66% people are empathetic towards others

Value relationship-90% youth value relationship

Loss of friends- is dealt in a mature manner only by 40% of students
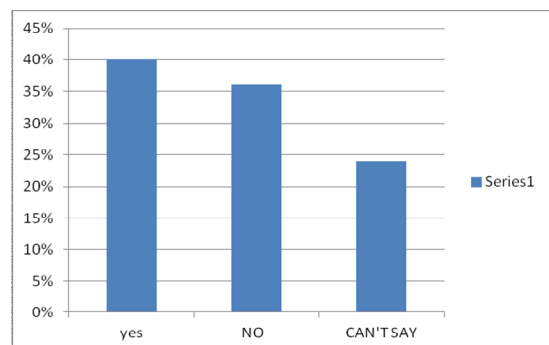
Communication-70% students are having knowledge about communication skills
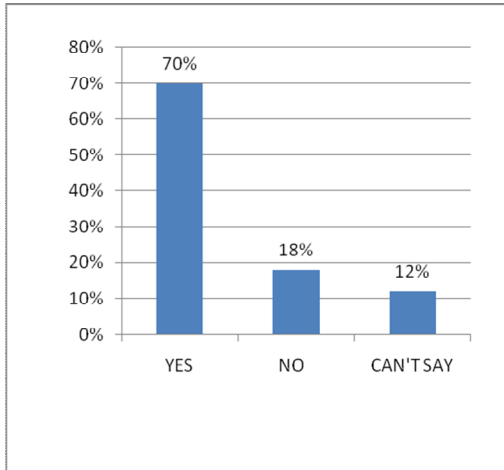
Disturbed by problems-70% students are disturbed by problems
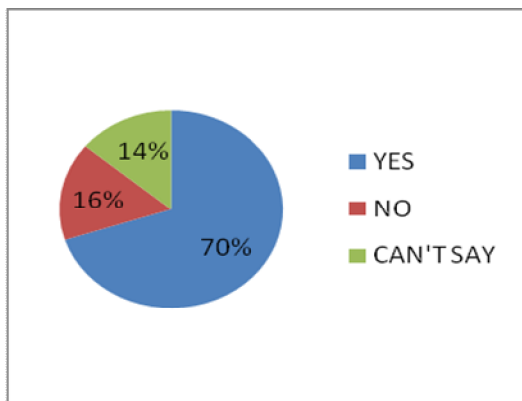
Stress-Only 50% students know about sources of stress

Positive life skills		
3A	**90%**	
1	**82%**	
6A	**80%**	**HIGH**
4	**70%**	
8A	**70%**	
7	**68%**	
2	**66%**	
8B	**64%**	**MEDIUM**
9	**53%**	

Negative life skills		
6B	**50%**	low
9	**48%**	
3B	**36%**	
5	**32%**	medium
10	**30%**	
8B	**24%**	
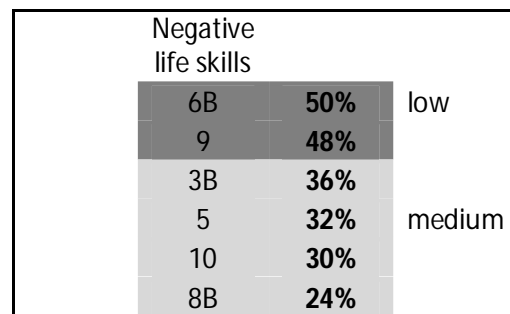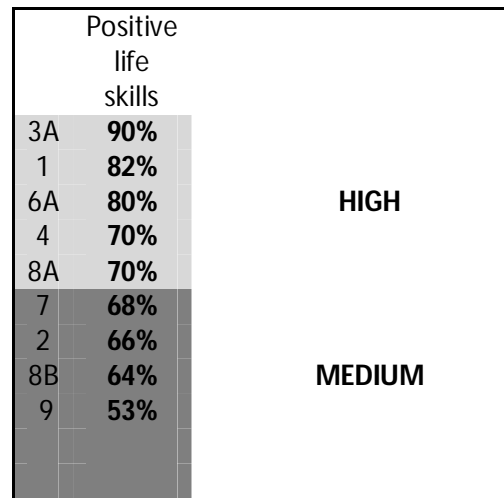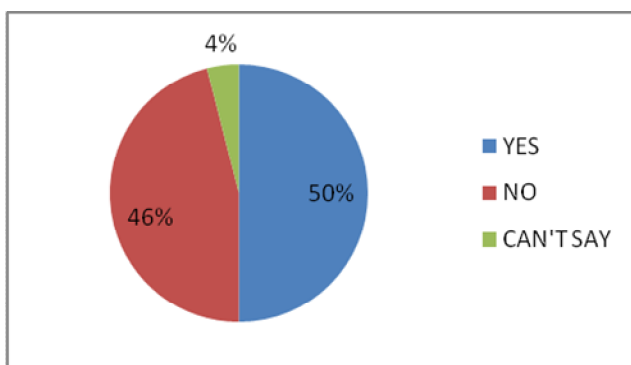
Figure3&4

It is apparent from figure 3 &4 that for some life skills like self awareness, empathy and communication the students are having high regards and have awareness ranging from 60% to 90% but for some like critical thinking, loss of friends and stress they are either ignorant or have low information and range starts with 24% and maximum is just 50%. The graphs are attached as annexure.

VII. CONCLUSION

Efficient networking of educationist, psychologist, mental health professionals and policy makers is required to develop a

concrete life skills training programme. Life skills dealing to train to cope up loss and stress and at the same time develop critical thinking are required among youths. This is feasible when they have practical exposures and case study teaching methodology. Most of the B-schools have inculcated case studies, but barring few the others are merely doing lip service.

Counselors should be readily available to students so that the problem doesn't manifest itself. The facilitators should also have training from time to time to enrich themselves so that they pass on the benefits to the young graduates.

 The training should transcend across all development stages of child and should have an inbuilt monitoring and evaluation system. Promoting efficient skills in school would thereby polish the raw diamond and prepare the youth of this country. There should be an increased focus on ethics, environmental sustainability and new emerging sectors .There should be facilitators to encourage all students to think and to be curious as much as teachers or even more.

It is expected that current education would wake up from its deep slumber and would open up to life skills education as a part of its curriculum. This would lead to building future individuals who will believe in themselves and be a change maker by understanding their and others potentials and achieve the desired goals and vision of our country.

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The Study Of E-Banking Services, Its Awareness And Uses Among Customers In India With Special Reference To Nagpur City

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ABSTRCT

The scenario of E-banking in India is changing day by day; the use of E-banking facilities is continuously increasing. The customers are willing to use it for online cash transfer, online shopping, withdrawing of cash. In this research 300 customer's opinion were studied and interpreted by graphical representation. This research was carried out to study the awareness of internet banking among the customers of different banks. The respondents were selected from southernmost part of the Nagpur City. The age group of the subjects was 25 to 50 year and male to female ratio was 29:71.

The results were analyzed and interpreted through graphs which significantly confirm the result that most of the people are aware about e-banking and they used these kinds of services provided by the Banks. It also can be stated that a significant group of people are unaware about the services and banks have to look after its promotion.

INTRODUCTION

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Customers access e-banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or Touch Tone telephone.

Meaning of E-Banking

E-banking is the electronic banking that provides the financial service for the individual client by means of Internet.

Need of study

The researcher is intending to know the customers' perception toward E-banking

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getting knowledge of consumer preferences and their uses of E-banking.

Use of E-Banking in India from Last Few Years

In 2002-2012 the users of E-banking are increasing every year. The adjacent chart shows the upward trend in the increase in percentage of users.

There are various facilities provided by maximum banks in India as the E-banking services which are utilized by the customers. The uses of such services remain beneficial for the customers as well as bank with regards to flexibility, time saving and avoiding lengthy processes.

E-BANKING SERVICES

The Basic Level Service is the bank's web site which disseminates information on different products and services offered to customers and members of public in general. It may receive and reply to customer's queries through e-mail; In the next level are Simple Transactional Web sites which allow customers to submit their instructions, applications for different services, queries in their account balances, etc. but do not permit any fund-based transactions on their accounts; The third level of Internet banking services are offered by Fully Transactional Web sites which allow the customers to operate their accounts for transfer of funds, payment of

different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc. The above forms of Internet banking service to the customer by new banks are delivered through Internet or other electronic delivery channels as value added services. Some of these banks are known as 'Virtual' banks or 'Internet only' banks and may not have physical presence in a country despite offering different banking services.

Web-Linking: A large number of financial institutions maintain sites on the World Wide Web. Some websites are strictly informational, while others also offer customers the ability to perform financial transactions, such as paying bills or transferring funds between accounts.

Wireless E-banking: Wireless banking is a delivery channel that can extend the reach and enhance the convenience of Internet banking products and services. Wireless banking occurs when customers access a financial institution's network(s) using cellular phones, pagers, and personal digital assistants (or similar devices) through telecommunication companies' wireless networks. Wireless banking services in the United States typically supplement a financial institution's e-banking products and services.

Person-To-Person Payments: Electronic person-to-person payments, also known as e-mail money, permit consumers to send

"money" to any person or business with an e-mail address. Under this scenario, a consumer electronically instructs the person-to-person payment service to transfer funds to another individual. The payment service then sends an e-mail notifying the individual that the funds are available and informs him or her of the methods available to access the funds including requesting a check, transferring the funds to an account at an insured financial institution, or retransmitting the funds to someone else. Person-to-person payments are typically funded by credit card charges transferred from the consumer's account at a financial institution. Since neither the payee nor the payer in the transaction has to have an account with the payment service, such services may be offered by an insured financial institution but are frequently offered by other businesses as well.

Plastic Cards as Media for Payment: There are four types of plastic cards being used as media for making payments. These are:

- **Credit Cards:** The credit card enables the cardholders to purchase any item like clothes, jewellery, railway/air tickets, etc., pay bills for dining in a restaurant or boarding and lodging in hotel, avail of any service like car rental, etc. on credit and the customer has to pay total expenses on purchasing to the bank after a particular period.

- **Debit Cards:** A debit card is issued on payment of a specified amount to the bank. The customer will use it anywhere to carry out the purchasing, amount for which will be debited from his account by a bank. Thus it is like an electronic purse, which can be read and debited by the required amount. It may be noted that while through a credit card the customer first makes a purchase or avails service and pays later on, through the debit card a customer has to first pay the due amount and then make a purchase or avail the service.

- **Smart Cards:** Smart Cards have a built-in microcomputer chip, which can be used for storing and processing information. For example, a person can have a smart card from a bank with the specified amount stored electronically on it. As he goes on making transactions with the help of the card the balance keeps on reducing electronically. When the specified amount is utilized by the customer, he can approach the bank to get his card validated for a further specified amount. Such cards are used for paying small amounts like telephone calls, petrol bills, etc.

- **ATM Cards:** The card contains a PIN (Personal Identification Number) which is selected by the customer or conveyed to

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the customer and enables him to withdraw cash up to the transaction limit for the day. He can also deposit cash or cheque.

LITERATURE REVIEW

A new review by Tower group of 10 top US e-banking web sites evaluated several aspects of core online banking components. Group found that there is difference in terms of actual functionality and usability among different banks and their services.

The UK's first home online banking services were set up by the Nottingham Building Society (NBS) in 1983 ("History of the Nottingham"; Retrieved on 2007-12-14.). The system used was based on UK's Prestel system and used a computer, such as the BBC Micro, or keyboard (Tan data Td1400) connected to the telephone system and television set. The system (known as 'Home link') allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments, a written instruction giving details of the intended recipient had to be sent to the NBS who set the details up on the Home link system.

Mols (1999) acknowledged that the internet banking is an innovative distribution channel that offers less waiting time and a higher spatial convenience than traditional branch banking with significantly lower cost structure than traditional delivery channels. Internet banking reduces not only operational cost to the bank but also leads to higher levels of customer satisfaction and retention. As a result internet banking is very attractive to banks and consumers, who now have higher acceptance to new technology. (Polatoglu and Ekin, 2001, Mols, 2000, Sathye, 1999, Wisner and Corney, 2001).

In 2001 Micro banker sent detailed questionnaire to the leading vendors of internet banking software27 companies responded with information on thirty programs the aggregate outcome was that almost all the companies have developed functions for internet banking and have inbuilt feature to aid with one to one marketing on the web.

Mishra (2005) in his paper explained the advantages and the security concerns about internet banking. According to him, improved customer access, offering of more services, increased customer loyalty, attracting new customers are the primary drivers of internet banking. But in a survey conducted by the online banking association, member institutions rated security as the most important concern of online banking.

Nyangosi et al. (2009) collected customers' opinions regarding the importance of e-Banking and the adoption levels of different e-Banking technologies in India and Kenya. The

study highlighted the trends of e-banking indicators in both countries. The overall result indicates that customers in both countries have developed a positive attitude and they give much importance to the emergence of e-banking.

AIM OF THE STUDY

The study aims to find out the preferences of the customers toward use of the E-banking. During the research we identify the awareness of internet banking among the customers of different banks. Also it aims to find the customer satisfaction relating to E-banking service.

RESEARCH METHODOLOGY

Primary Data: In this research with a sample size of 300 bank customer's data was available in form of questionnaire collected in terms of different questions influencing the use of E-banking. Internet banking is considered as dependent on awareness among customers which was studied with help of different independent variable.

Secondary data: Information was collected from several research articles.

Research Design: Descriptive Research design

RESULTS AND DISCUSSION

This section encompasses preferences in the use of E-banking activities by the customers and the awareness of E-banking among the customers. The use of E-banking is continuously increasing; the result shows utilization aspects of such services.

Users of different E-banking services by the customers

Chart 1.1 represents the users of the E-banking services provided by banks. It is noticed that around 65 percent customers are using E-banking services which includes the use of plastic cards services, transactions through the internet and maximum use the online shopping. On the other hand the 35 percent customers are not aware of these services; it is found that most of the non-users are from older age group (40 to 50 years).
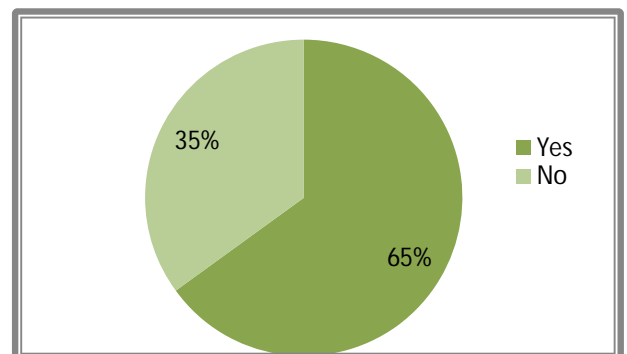
Chart 1.1: *Users of E-banking services*

AGE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 TO 30	60	20.0	20.0	20.0
	31 TO 35	88	29.3	29.3	49.3
	36 TO 40	57	19.0	19.0	68.3
	41 TO 45	43	14.3	14.3	82.7
	46 TO 50	52	17.3	17.3	100.0
	Total	300	100.0	100.0	

AGE * USE OF E-BANKING SERVICES Cross tabulation

Count

		USE OF E-BANKING SERVICES		Total
		YES	NO	
AGE	25 TO 30	60	0	60
	31 TO 35	79	9	88
	36 TO 40	43	14	57
	41 TO 45	7	36	43
	46 TO 50	6	46	52
Total		195	105	300

Correlations				
			AGE	USE OF E BANKING SERVICES
AGE	Pearson Correlation		1	.714**
	Sig. (2-tailed)			.000
	N		300	300
USE OF E BANKING SERVICES	Pearson Correlation		.714**	1
	Sig. (2-tailed)		.000	
	N		300	300
**. Correlation is significant at 0.01 level (2-tailed).				

It comes forth from the analysis that a large group of people are not using these services. The bankers should promote the services and the guidance which help to increase awareness of E-banking among the Indian Customers. But the study also shows one fact that awareness among the young group of people is on higher end.

Bank wise Number of users and non-users

We had taken the study of southernmost part of the Nagpur City. Where there were the maximum users of those banks which mentioned in the Chart 1.2. The maximum users are of the SBI i.e. 30 percent out of which 22 percent customers are using the E-banking services. One noticeable thing we found is that the ratio of E-banking users to non-users is higher at ICICI and HDFC bank (4:1 at ICICI & 5:1 at HDFC) which are a step ahead from other nationalized bank.
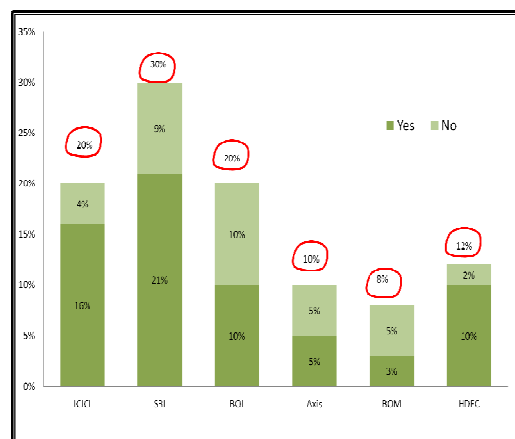
Chart 1.2: *Bank wise Users of E-banking* ross tabulation

Count

		USE OF E BANKING SERVICES		
		YES	NO	Total
BANK	ICICI	48	12	60
	SBI	63	27	90
	BOI	30	30	60
	AXIS	15	15	30
	BOM	9	15	24
	HDFC	30	6	36
Total		195	105	300

The basic reason behind the increase in the comparative percentage is the promotion policies applied by such banks. Also, we found the market shares of nationalized bank are higher to other. So it is necessary to promote the E-banking services by nationalized banks. This will convert whole India to use the E-banking services.

Preference for Online Bill Payment Services
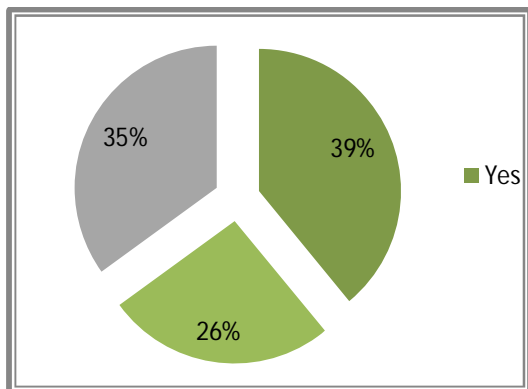
Chart 1.3: *Users of online Bill payment Services*

USE OF E BANKING SERVICES * USE OF E-BANKING FOR ONLINE BILL PAYMENT Cross tabulation

Count

		USE OF E-BANKING FOR ONLINE BILL PAYMENT			
		YES	NO	NOT ANSWERED	Total
USE OF E BANKING SERVICES	YES	117	78	0	195
	NO	0	0	105	105
Total		117	78	105	300

Correlations			
		USE OF E-BANKING SERVICES	USE OF E-BANKING FOR ONLINE BILL PAYMENT
USE OF E-BANKING SERVICES	Pearson Correlation	1	.888[**]
	Sig. (2-tailed)		.000
	N	300	300
USE OF EBANKING FOR ONLINE BILL PAYMENT	Pearson Correlation	.888[**]	1
	Sig. (2-tailed)	.000	
	N	300	300
** Correlation is significant at the 0.01 level (2-tailed).			

The Chart 1.1 shows the number of the users, but among them around 39 percent of the customers are using the online bill payment services (shown in chart 1.3) and 26 percent are not avilaing this service. When we asked about these bill payment services many of

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these customers were unware of what kind of bill can be paid by the online services. But most of the customers are using it for telephone bills, electric bills, credit card bills, also EMI payments, etc.. On the higher side many of the customers log in to the respective web sites and make the payments of debit cards, credit cards, fund transfers, etc.

Preference for Online Shopping Services

USE OF E-BANKING SERVICES * USE OF E-BANKING FOR ONLINE SHOPPING Cross tabulation					
Count					
		USE OF E-BANKING FOR ONLINE SHOPPING			
		YES	NO	NOT ANSWERED	Total
USE OF E-BANKING SERVICES	YES	135	60	0	195
	NO	0	0	105	105
Total		135	60	105	300

Correlations			
		USE OF E BANKING SERVICES	USE OF E-BANKING FOR ONLINE SHOPPING
USE OF E-BANKING SERVICES	Pearson Correlation	1	.908**
	Sig. (2-tailed)		.000
	N	300	300
USE OF E-BANKING FOR ONLINE SHOPPING	Pearson Correlation	.908**	1
	Sig. (2-tailed)	.000	

	N	300	300

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

When compared to bill payments, maximum people are aware about online shopping. Recently there was an emerging trend in retailing that each and every sector sells their product through online. And this became very popular among the Indian people. The study shows that out of E-banking user, maximum users (around 45 percent) are regularly using the service of online shopping. The respondents replied that this is a very easy way of shopping and payments for their purchasing.
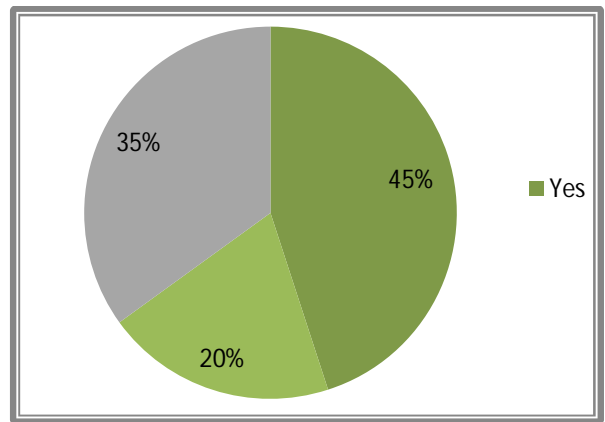
Chart 1.4: Users of online shopping Services

The remaining group of 20 percent is getting panicky about using these services. It can be suggested that the bankers should educate the people about terms and conditions mentioned in the policies.

Correlations		USE OF E-BANKING SERVICES	USE OF E-BANKING FOR ONLINE FUND TRANSFER
USE OF E-BANKING SERVICES	Pearson Correlation	1	.893**
	Sig. (2-tailed)		.000
	N	300	300
USE OF E-BANKING FOR ONLINE FUND TRANSFER	Pearson Correlation	.893**	1
	Sig. (2-tailed)	.000	
	N	300	300

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

Spend Per Bill for On Line Bill Payment and

USE OF E-BANKING SERVICES * USE OF E-BANKING FOR ONLINE FUND TRANSFER Cross tabulation					
Count					
		USE OF E-BANKING FOR ONLINE FUND TRANSFER			
		YES	NO	NOT ANSWERED	Total
USE OF E-BANKING SERVICES	YES	122	73	0	195
	NO	0	0	105	105
Total		122	73	105	300

online shopping
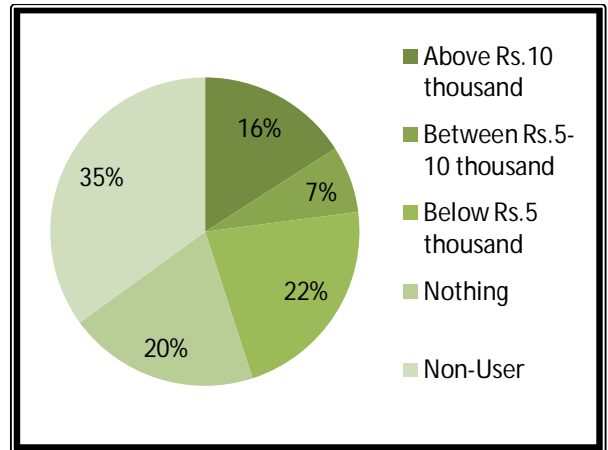
Chart 1.5: *Total monthly spending through online payments*

and the online shopping are spending their money. Chart 1.5 shows the categorization of spending the amount on online transactions. It shows that among users maximum people around 22 percent spend amount below Rupees five thousand, 7 percent between ten to five thousands and 16 percent above ten thousand respectively.

Preference for Online Fund Transfer
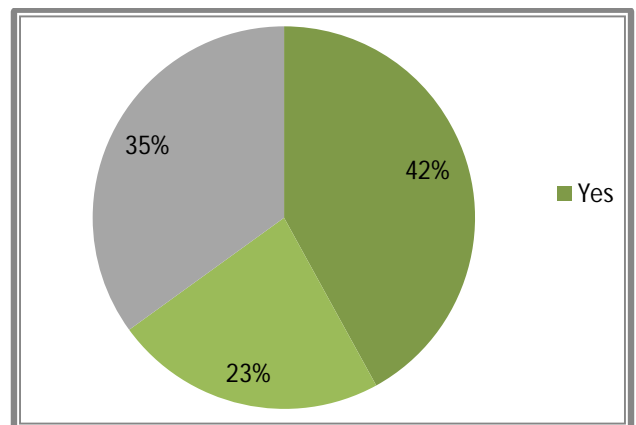
The use of the internet banking is firstly used

Chart 1.6: *Users of online fund transfer Services*

it for their businesses. Now a day even common people are going for these services

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through which the transactions become easy and more flexible. People realize the risk in online fund transferring which affects their use and it shows in results also - only 23 percent people are using these services. They find it very easy and more suitable but you can see the higher trend toward directly avoiding use of such services, where the users said no to these services. It shows that banks should consider it and make customers aware of all aspects of the online fund transfers, as this can remove the fear of losses.

Customer Satisfaction after using E-banking services.

Eventually, we got preferences and the uses of E-banking services by the customers. But even there is a question of customer satisfaction which is very important to spread that particular concept in the customer. The chart 1.7 shows the satisfaction index of the customers after experiencing the E-banking services. It shows out of 65 percent users around 42 percent people are satisfied with the services, but 23 percent are not satisfied. The banks consider this fact and need to finds out the reason behind it. When we asked about dissatisfaction of customers they replied about the uncertainty in transactions and tedious bank policies.

USE OF E-BANKING SERVICES * SATISFACTION LEVEL OF E-BANKING USERS Cross tabulation

Count

		SATISFACTION LEVEL OF E-BANKING USERS			
		YES	NO	NOT ANSWERED	Total
USE OF E-BANKING SERVICES	YES	123	72	0	195
	NO	0	0	105	105
Total		123	72	105	300

Correlations			USE OF E-BANKING SERVICES	SATISFACTION LEVEL OF E-BANKING USERS
USE OF E-BANKING SERVICES	Pearson Correlation		1	.894**
	Sig. (2-tailed)			.000
	N		300	300
SATISFACTION LEVEL OF E-BANKING USERS	Pearson Correlation		.894**	1
	Sig. (2-tailed)		.000	
	N		300	300

** Correlation is significant at the 0.01 level (2-tailed).
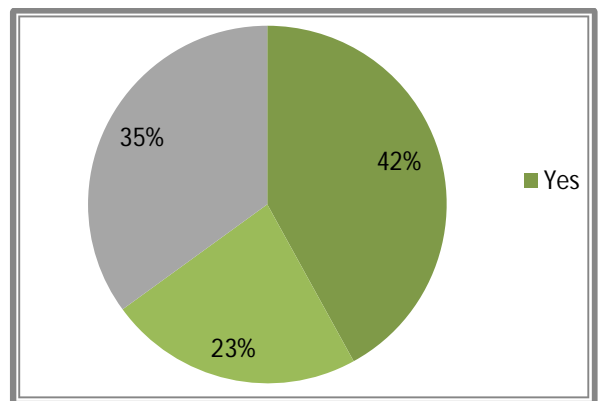
> **Chart 1.7:** *Satisfaction of customers using E-banking*

FINDINGS

In the total users of the banking services the percentage of use of E-banking is 65% of total customers. More banks are collaborating with some software company to run the E-banking service. In these services SBI bank is at the top in service of E-banking with ICICI and HDFC whose promotion of E-banking services is higher. The services that are mostly used by maximum customers are transactions, online trading, bill payment, shopping etc. The satisfaction level of the customer is also highest in use of E-banking services. But we found that there is a major group of older age people who are hesitant in the use of the E-banking services. There is a need for awareness program for them.

SUGGESTIONS AND CONCLUSION

The basic objective of my research was to analyze the awareness among customers for E-banking in INDIA. It gives direction to research tools, research types and techniques. Although the findings reveal that people know about the services but still many people are unaware and many of them are non – users; so the bank should by promotion try to retain the customers. Banks should look forward to have some tie–ups with other financial institutions to increase the service base.

Banks will have to set up Research and Market Intelligence units within the organization so as to remain innovative, to ensure customer satisfaction and to keep abreast of market developments. Banks will have to interact constantly with the industry bodies, trade associations, farming community, academic / research institutions and initiate studies, pilot projects, etc. for evolving better financial models. Payment and settlement system will have to be strengthened to ensure transfer of funds on real time basis eliminating risks associated with transactions and settlement process. Banks will have to adopt best global practices, systems and procedures. There should be constant and continual up-gradation of technology in the Banks, benefiting both the customer and the bank. Banks may enter into partnership among themselves for reaping maximum benefits through consultations and coordination with reputed IT companies. The skills of bank staff should be upgraded continuously through training. In this regard, the banks may have to relook at the existing training modules and effect necessary changes, wherever required. Seminars and conferences on all relevant and emerging issues should be encouraged. All this will result into converting 100 percent users to of E-banking in India.

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Commodity Derivatives - An Effective Tool for Hedging - A Study of Indian Market; A systematic review

*Dr Anil Kothari, **Ms Pallavi Kudal

ABSTRACT

Commodity derivatives have had a long and a chequered presence in India. The commodity derivative market has been functioning in India since the nineteenth century; with organized trading in cotton through the establishment of Cotton Trade Association in 1875.The Indian economy has witnessed a mini revolution in commodity derivatives and risk management since then. Commodity options trading and cash settlement of commodity futures was banned in 1952 and until 2002 commodity derivatives market was virtually non-existent, except for some negligible activity on an OTC basis. But in September 2005, the country had 3 national level electronic exchanges and 21 regional exchanges for trading commodity derivatives. As many as ninety five (95) commodities have been allowed for derivatives trading in India. Over the past few years, and especially in the aftermath of the financial crisis of 2008, volatility in commodity markets has been an issue of major concern for policy-makers around the world. In particular, politicians have raised legitimate concerns over the efficiency and integrity of commodity derivatives markets.

The research aims at identifying whether the physical commodity markets serve their fundamental price discovery and hedging functions or not. Wildly fluctuating commodity prices have made it more difficult for governments to produce accurate economic predictions and have harmed the potential for growth. Due to the magnitude of economic and political impact of such fluctuations, the world can neither dismiss nor remain a passive observer of these market phenomena.

The present paper is an attempt to represent the gist of scholarly articles written on the topic, which gives a direction for further growth of the research topic.

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Introduction:

In the chairman's letter of the 2002 Annual report of Berkshire Hathaway Inc. finance guru Warren Buffet cautioned the use of derivatives with the following phrase: "I view derivatives as time bomb, both for the parties that deal in them and the economic system. Derivatives are financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal". Such words from the globally accepted finance guru well explain the risks associated with derivatives. Popular opinion about the existence of derivative contracts has been mixed. While their advantages in managing risks have been understood, they have also been identified with many incidents of financial crisis like collapse of Barings Bank in 1995, collapse of Lehman Brothers in 2008, financial crisis of 2008-09, to name a few.

Derivative contracts were most commonly used on agriculture commodities since ages. Some of the earliest derivatives were linked to tulip bulbs in Holland and to rice in Japan in the 17th century. Organized commodity derivatives in India started as early as 1875, barely about a decade after they started in Chicago. However, many feared that derivatives fuelled unnecessary speculation and were detrimental to the healthy functioning of the markets for the underlying commodities. The present research is aimed at analysing various factors related to the commodity derivatives and to understand how they are used by manufacturers and producers to hedge their risks. Moreover commodity derivatives have also been every now and then blamed to affect the spot market prices and cause inflationary pressures on the economy.

We have done a systematic review of both national and international studies done in the relevant area in order to have a better insight over the topic. The review is done under following subheads

o Derivatives (Introduction and definition)
o Growth of derivative markets in India
o Commodity Derivative markets in India
o Commodity derivatives - need and relevance
o Commodity derivatives - a tool for hedging
o Commodity derivative and speculation

Following table (1) gives an overview of referred and reviewed papers.

Table 1: Overview of Reviewed papers

Subject	National Author		International Author	
	No. of referred paper	No. of reviewed paper	No. of referred paper	No. of reviewed paper
Derivatives (Introduction and definition)	5	0	4	4
Growth of derivative markets in India	7	2	5	2
Commodity Derivative markets in India	10	2	5	0
Commodity derivatives- need and relevance	6	3	5	3
Commodity derivatives- a tool for hedging	9	2	6	3
Commodity derivative and speculation	5	2	8	4

Review- Derivatives (Introduction and definition):

The Merriam-Webster dictionary defines a derivative in the field of chemistry as "a substance that can be made from another substance". Derivatives in finance work on the same principle. These financial instruments promise payoffs that are derived from the value of something else, which is called the "underlying". The underlying is often a financial asset or rate, but it does not have to be. For example, derivatives exist with payments linked to the S&P 500 stock index, the temperature at Kennedy Airport, and the number of bankruptcies among a group of selected companies (Stulz, 2005). Derivatives are financial instruments widely used by all economic agents to invest, speculate and hedge in financial market (Hull, 2002). A derivative is defined by the BIS (1995) as "a contract whose value depends on the price of underlying assets, but which does not require any investment of principal in those assets. As a contract between two counterparts to exchange payments based on underlying prices or yields, any transfer of ownership of the underlying asset and cash flows becomes unnecessary" (Oldani, 2005). This definition is strictly related to the ability of derivatives of replicating financial instruments (Neftci, 2000).

Derivative contracts, which have been in existence for more than 200 years now, started as a way for farmers and merchants to manage risks of the price of agriculture commodities moving against them. They started off as very simple contracts and the parties entering into the contract had a good understanding of the risk involved. Currently there are derivative securities to manage the risks associated with equity and debt instruments, credit exposures and changing commodity prices, currency exchange rates and interest rates. To give an idea of the size of the derivative market, *The Economist* magazine has reported that

as of June 2011, the over-the-counter (OTC) derivatives market amounted to approximately $700 trillion, and the size of the market traded on exchanges totalled an additional $83 trillion. This shows the growing importance of derivative markets in the world.

Review- Growth of Derivative Markets in India:

Before derivatives markets were truly developed, the means for dealing with financial risks were few and financial risks were largely outside managerial control. Few exchange- traded derivatives did exist, but they allowed corporate users to hedge only against certain financial risks, in limited ways and over short time horizons. Companies were often forced to resort to operational alternatives like establishing plants abroad, in order to minimize exchange-rate risks, or to the natural hedging by trying to match currency structures of their assets and liabilities (Santomero, 1995). Allen and Santomero (1998) wrote that during the 1980s and 1990s commercial and investment banks introduced a broad selection of new products designed to help corporate managers in handling financial risks. At the same time, the derivatives exchanges, which successfully introduced interest rate and currency derivatives in the

1970s, had become vigorous innovators, continually adding new products, refining the existing ones and finding new ways to increase their liquidity.

As per Gambhir and Goel (2003) the gradual liberalization of Indian economy has resulted in substantial inflow of foreign capital into India. Simultaneously dismantling of trade barriers has also facilitated the integration of domestic economy with world economy. With the globalization of trade and relatively free movement of financial assets risk management through derivatives products became a necessity in India also like in other developed and developing countries. As Indian businesses became more global in their approach, evolution of a broad based, active and liquid forex derivatives markets was required to provide them with a spectrum of hedging products for effectively managing their foreign exchange exposures. However they concluded that Indian derivative market is at a nascent stage and has tremendous growth potential.

Vashishtha and Kumar Satish (2010) analyzed development of financial derivatives market in India. They commented that emergence of derivatives market is an ingenious feat of financial engineering that provides an effective and

less costly solution to the problem of risk that is embedded in the price unpredictability of the underlying asset. In India, the emergence and growth of derivatives market had been relatively a new. Since its inception in June 2000, derivatives market has exhibited exponential growth both in terms of volume and number of traded contracts. The market turn-over has grown from Rs.2,365 Crore in 2000-2001 to Rs. 1,10,10,482.20 Crore in 2008-2009. Within a short span of eight years derivatives trading in India has surpassed cash segment in terms of turnover and number of traded contracts. Their study encompassed in its scope an analysis of historical roots of derivative trading, types of derivative products, regulation and policy developments, trend and growth, future prospects and challenges of derivative market in India. They even compared the status of global derivatives markets vis-a-vis the Indian derivatives market.

Review: Commodity Derivative markets in India

Since its inception in 1875, trading in commodity derivatives had always been a debatable issue. Many feared that derivatives fuelled unnecessary speculation in essential commodities, and were detrimental to the healthy functioning of the markets for the underlying commodities, and hence to the farmers. With a view to restricting speculative activity in cotton market, the Government of Bombay prohibited options business in cotton in 1939. Later in 1943, forward trading was prohibited in oilseeds and some other commodities including food-grains, spices, vegetable oils, sugar and cloth. After Independence, the Parliament passed Forward Contracts (Regulation) Act, 1952 which regulated forward contracts in commodities all over India. The already shaken commodity derivatives market got a crushing blow when in 1960s, following several years of severe draughts that forced many farmers to default on forward contracts (and even caused some suicides), forward trading was banned in many commodities that were considered primary or essential. As a result, commodities derivative markets dismantled and went underground where to some extent they continued as OTC contracts at negligible volumes. Much later, in 1970s and 1980s the Government relaxed forward trading rules for some commodities, but the market could never regain the lost volumes.

Subsequent to liberalization of Indian economy in 1991, a series of steps were taken to liberalise the commodity forward markets. This found expression in many reports and studies of committees and

groups to recommend reforms in commodity futures market.

The Kabra Committee (1994), the earliest post-1991, recommended opening up of futures trading in 17 selected commodities, although it was not unanimous regarding some of these.

Importantly the year 2003 is a watershed in the history of commodity futures market. The last group of 54 prohibited commodities was opened up for forward trading, along with establishment and recognition of three new national exchanges with on-line trading and professional management. Not only was prohibition on forward trading completely withdrawn, including in sensitive commodities such as wheat, rice, sugar and pulses, which earlier committees had reservations about, but the new exchanges brought capital, technology and innovation to the market. These markets notched up phenomenal growth in terms of number of products on offer, participants, spatial distribution and volume of trade. Starting with trade in 7 commodities till 1999, futures trading is now available in 95 commodities.

Ahuja (2006), this paper analysed questions such as: how did India pull it off in such a short time since 2002? Is this progress sustainable and what are the obstacles that need urgent attention if the market is to realize its full potential? Why are commodity derivatives important and what could other emerging economies learn from the Indian mistakes and experience? The paper very effectively identified few issues for better working of commodity derivatives in Indian markets. Author stressed on availability of warehouses for functioning of the commodity derivative markets and role of regulators. Author concluded that more power should be given to FMC for better functioning of these markets.

Ghosh (2009) analysed the issues and challenges of commodity derivative market in India. The three major themes discussed in his paper are:
☐ Strengthening and expanding the scope of commodity derivative trading
☐ Impact of futures trading on commodity prices
☐ Role of commodity derivative markets in the global meltdown

The principal aim of this paper has been to sensitize the research and policy community as also the stakeholders of commodity markets on the issues and concerns of commodity derivative markets in India, as also set an agenda for research. The author concludes that issues of commodity markets are multidimensional.

Such concerns cannot merely be addressed in a reductionist framework of financial economics only, but entail deep thinking in institutional economics, social anthropology, quantitative methods, as also information systems and data mining. This requires a trans-disciplinary research framework.

Review: Commodity derivatives- need and relevance

Commodity derivatives markets have been in existence for centuries, driven by the efforts of commodities producers, users and investors to manage their business and financial risks.

Producers want to manage their exposure to changes in the prices they receive for their commodities. They are mostly focused on achieving the same effect as fixed prices on contracts to sell their produce. A silver producer, for example, wants to hedge its losses from a fall in the price of silver for its current silver inventory. Cattle ranchers want to hedge their exposure to changes in the price of cattle. Food companies need to hedge the risk of price changes in green coffee, cocoa beans, cereals, milk and other commodities they sell.

End-users want and need to hedge the prices at which they can purchase commodities. A hospital system might want to fix the price at which it purchases electricity for air conditioning during the summer. An airline wants to lock in the price of the jet fuel it needs to purchase in order to satisfy the peak in seasonal demand for travel.

At the same time, investors and financial intermediaries can either buy or sell commodities through the use of derivatives. They put capital that is essential to facilitating the business of the producer and of the end-user. They stand ready to transact with these market participants; without them, producers and end-users could not hedge their risks.

Today, the commodity derivatives market is global, and includes both exchange-traded and over-the-counter (OTC) derivatives contracts. It consists of a wide range of segments: agriculture, base metals, coal, commodity index products, crude oil, emissions, freight, gas, oil products, plastics products, power, precious metals and weather.

Thousands of companies of all shapes and sizes, in all industries and in all regions use commodity derivatives. Manufacturers, energy companies, farmers, agriculture and food companies, IT companies – these and other types of firms make up the global commodity derivatives markets. They all contribute to

the supply of needed commodities for ever-rising earth's population. In this respect, the first half of the 21st century is a critical moment. The world's population is expected to reach 9 billion in 2050, creating ever-increasing demands on limited resources and providing a challenge for industrial producers, market intermediaries, policy makers, governments and international organizations.

This leads to concerns about price increases and volatility, as Nobel Prize-winning economist Paul Krugman pointed out in a recent editorial saying that volatility exists in our markets because we live in a "finite world" where there is not, at any given moment in time, an inexhaustible supply of oil, wheat, milk or other physical commodities to meet the global demand for such products. Simply put, prices are higher because the demand for a product around the globe is greater than the supply.

Commodity futures markets have a limited presence in developing countries. Historically, governments in many of these countries have discouraged futures markets. If they were not banned, their operations were constricted by regulation. In the recent past, however, countries have begun to liberalize commodity markets.

And in a reversal of earlier trends, the development of commodity futures markets is being pursued actively with support from governments (UNCTAD, 2002). Policy makers expect social benefits in terms of price discovery, risk management and better allocation of resources. Similarly, the World Bank has undertaken many initiatives to explore the possibility of market-based systems of price stabilization (Claessens and Duncan, 1993).

Gronvik (2008) argued that hedging against future price movements can be important both for those producing goods and for those buying them. Commodity derivatives may be employed as a hedge against price risk, and this is one of the reasons behind several initiatives to establish fish derivatives markets in Norway. This article discusses the general terms for establishing commodity derivatives markets.

Naik and Jain (2002) reviewed the performance of futures market in India and found that "Barring a few, they (futures market) are still not congenial markets for hedgers. The markets are deficient in several aspects such as infrastructure, logistics, management, linkages with financial institutions, reliability and integrity, dominance of speculators and

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efficient information systems, which discourage market players from trading in these markets"

Nair (2004) found out that "the major stumbling block for the development of commodity futures markets in India is the fragmented physical/spot market". He pointed out that government laws and various taxes hinder the free movement of commodities.

Lokare (2007) analyzed the development of commodity markets in India in the wake of globalization. He endeavoured to test the efficacy and performance of commodity derivatives in steering price risk management. He concluded that liquidity in respect of primary commodities was found to be high only in few commodities such as castor seed, soya bean oil while in the case of others it was thin. These markets in India are thus yet to achieve minimum critical liquidity that can generate greater economies of scale, minimum transaction costs and wider participation.

Review: Commodity derivatives- a tool for hedging

Nguyen and Faff (2010): The focus of their article has been on investigation of the relationship between the use of financial derivatives and firm risk using a sample of Australian firms. Their results suggest that this relationship is nonlinear in nature. Specifically, the use of financial derivatives is associated with a risk reduction for moderate derivative users. Derivative usage among extensive derivative users, on the other hand, appears to lead to an increase in firm risk. Nevertheless, compared to firms that do not make use of derivatives, there is no evidence that extensive derivative users are exposed to a risk level in excess of that of non derivative users. The results are, therefore, indicative of a hedging motive behind the use of financial derivatives.

Bartram & Brown (2011): Using a large sample of nonfinancial firms from 47 countries, authors examined the effect of derivative use on firm risk and value. They controlled for endogeneity by matching users and nonusers on the basis of their propensity to use derivatives. They used a new technique to estimate the effect of omitted variable bias on inferences. They found out strong evidence that the use of financial derivatives reduces both total risk and systematic risk. The effect of derivative use on firm value is positive but more sensitive to endogeneity and omitted variable concerns. However, the authors concluded that using derivatives is associated with significantly higher value, abnormal returns, and larger profits during the economic downturn in 2001–2002,

suggesting that firms are hedging downside risk.

Vipul (2006): This article investigates the changes in volatility in the Indian stock market after the introduction of derivatives. There is strong evidence of a reduction in the volatility of the underlying shares after the introduction of derivatives. Takeshi Inoue (2012): The paper is aimed at examining the market efficiency of the commodity futures market in India. Author estimated the long run equilibrium relationship between the multi commodity futures and spot prices and then tested for market efficiency in a weak form sense by applying DOLS and FMOLS methods. The results indicated that a co integrating relationships is found between these indices and commodity futures market are efficient only during the more recent sub sample period and not the whole sample period.

Hussain & Kamaiah(2012): The present study investigated the hedging effectiveness of commodity futures contracts for spices and base metals by employing cointegration and error correction methodology with different maturity time horizons varying from one month to three momths, i.e., maturity month, nearby month and far month. The

optimal hedge ratios are calculated from Ordinary Least Squares (OLS) regression and Error Correction Model (ECM). It is found that the futures market dominates in price discovery in nearby month contracts. In far month contracts, there is no long-term relationship between spot and futures prices for turmeric and cardamom. In case of base metals, futures market leads spot market for all the three contracts. This study supports that futures price representing the collective market opinion is considered as reference price for spot market players like traders, farmers and other stakeholders in commodity trading domain. Hedging effectiveness is also measured at various maturity periods. The results suggested that only 40% of contracts are suitable for hedging. It is generally found that there is no significant difference in hedging performance between far month and nearby month maturity periods for spices, while in the case of base metals slight variation is seen in hedging performance among different maturity periods. Further, there is not much difference in the estimates of hedging effectiveness obtained from OLS method and ECM. It is found that for far and nearby maturity periods hedging is more effective, which has some important implications for hedging strategy. These

findings are helpful to risk managers, farmers, stakeholders and policy makers.

D.A. Rata (2009): Agriculture is a risky business and it requires attentive risk management practices in order to protect the investor's wealth. Functioning in a similar manner to any other insurance, hedging can protect against the three risks that threaten more or less all agricultural businesses: bad crops, exchange rate risk and market risk. All agricultural businesses except sustenance farms are subjected to these risks. Agricultural consultancy organisms and NGOs should inform farm owners of these techniques of risk management that can safeguard the farms' profits and as well their existence. The usage of financial markets as risk management tools in agricultural businesses is as well recommended by the World Bank and it's "International Task Force for Commodity Risk Management in Developing Countries".

The review very well shows that commodity derivatives are effective sources for hedging the unforeseen movements in prices. Now let us see whether commodity derivatives and speculation in these markets can be blamed for inflationary pressures on the economy or not.

Review: Commodity Derivatives and Speculation

Schnepf (2008), this report identifies the predominant factors behind the current (2007/2008 crop year) market conditions for major agricultural commodities, with a focus on U.S. farm program crops. In addition, it also discussed how higher, more volatile commodity prices have impacted farm incomes, government farm programs, hedging activities, the livestock and food processing sectors, food prices, and the international food security situation. It reviewed both the near- and longer-term commodity price outlook, and finally, it discussed various viewpoints and policy options that have been suggested as possible responses to the perceived causes and consequences of the unusually high commodity prices.

Thomas (2003): the paper, describes the existing market design prevalent on both the spot and the futures markets. Some evidences are shown on the role played by the nascent futures markets in price discovery. They documented the problems of both the spot and the futures markets. Three policy proposals were suggested using reference rates for strengthening transparency, exploring a greater role for cash settlement, and treating warehouse receipts as securities.

Scott H Irwin. Dwight R. Sanders (2009): it is commonly asserted that speculative

buying by index funds in commodity futures and over–the–counter derivatives markets created a ''bubble'' in commodity prices, with the result that prices, and crude oil prices, in particular, far exceeded fundamental values at the peak.. The purpose of this paper is to show that the bubble argument simply does not withstand close scrutiny. Four main points are explored. First, the arguments of bubble proponents are conceptually flawed and reflect fundamental and basic misunderstandings of how commodity futures markets actually work. Second, a number of facts about the situation in commodity markets are inconsistent with the existence of a substantial bubble in commodity prices. Third, available statistical evidence does not indicate that positions for any group in commodity futures markets, including long–only index funds, consistently lead futures price changes. Fourth, there is a historical pattern of attacks upon speculation during periods of extreme market volatility.

Hentschel (2001): Public discussion about corporate use of derivatives focuses on whether firms use derivatives to reduce or increase firm risk. In contrast, empirical academic studies of corporate derivatives use take it for granted that firms hedge with derivatives. Using data from financial statements of 425 large U.S. corporations, we investigate whether firms systematically reduce or increase their riskiness with derivatives. We find that many firms manage their exposures with large derivatives positions. Nonetheless, compared to firms that do not use financial derivatives, firms that use derivatives display few, if any, measurable differences in risk that are associated with the use of derivatives.

Wahl (2008): this paper argues that speculation on food prices has played the decisive role in the price bubble in 2007/2008. The paper describes in detail the difference between speculation and investment. It explains how speculation in general and food speculation in particular works and describes the emergence of the speculative bubble in food prices beginning in late 2006. Author argues that the speculative move on commodity market distort prices, reinforces instability, increases market ineffeciency and periodically leads to the formation of bubbles.

Sen (2008): In the wake of consistent rise of rate of inflation during the first quarter of calendar year 2007 and responding to the concerns expressed at various forums, Parliamentary Standing Committee of the

Ministry of Consumer Affairs Food and Public Distribution, appointed an Expert Committee under the Chairmanship of Prof. Abhijit Sen, Member of Planning Commission, to examine whether and to what extent futures trading has contributed to price rise in agricultural commodities. The objectives of the committee were:

1. To study the extent of impact, if any, of futures trading on wholesale and retail prices of agricultural commodities

2. Depending on this impact, to suggest ways to minimize such an impact

3. Make such other recommendations as the Committee may consider appropriate regarding increased association of farmers in the futures market/trading so that farmers are able to get the benefit of price discovery through Commodity Exchanges.

The report concluded that there are no evidences of futures markets affecting the spot market prices of commodity. However committee came up with some important measures to be taken to decrease the risk of trading in derivative market.

Conclusion: It is quite evident from the above systematic review of literature for the topic "Commodity Derivatives- An Effective Tool for Hedging - A Study of Indian Market" that there are variety of views about the efficiency of commodity derivatives market. On one hand authors have proved that commodity derivatives are effective hedging tools whereas on the other hand these instruments have also being blamed for increasing inflation in the economy. Volatile commodity prices have spawned a plethora of reports by government agencies, academics and researchers. From these efforts, it is clear that fundamental factors that affect the supply and demand of commodities are the key drivers. These factors include demographics, weather, trade flows, production quotas and export controls. Perceptions about the financialization of physical commodity markets are raising concerns about the impact of investments on commodity price changes and volatility. While financialization is a trendy concept, there is little evidence that supports the idea that it is unduly affecting commodity markets, as a number of research articles and papers have highlighted the same. Although speculation is often blamed for causing problems in markets, the economic evidence shows that overall it is a necessary activity that makes markets more liquid and efficient. This, in turn, benefits hedgers, investors, and other market participants. Speculation increases market liquidity by reducing bid-offer spreads, by making it possible to transact

more quickly at a given size, and by making markets more resilient. Without speculation, there would be fewer opportunities for other market participants, especially hedgers, to manage the risks they encounter in their financial activities.

Hence various diametrically opposite views persist in this respect and the proposed research is an attempt to throw some light on how commodity derivatives can be used by producers and manufacturers for hedging purposes. Speculation is unavoidable but we even wish to know how a smart investor can make use of commodity derivative instruments for curbing the excessive risk in the markets.

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Service quality imperatives for meeting client expectations in private sector banks

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Abstract

"The purpose of this study is assessing clients' service quality gap by using of difference between clients' expectation and perception in the context of private sector banks in Punjab. Researcher adopted an instrument, which is based on SERVQUAL model and consists of five dimensions: tangibility, reliability, responsiveness, assurance and empathy. The survey, which resulted in 400 valid questionnaires, was conducted among the five private sector banks (ICICI, IDBI, HDFC, AXIS, & Bank of Punjab) in Punjab. The aforesaid model was applied to identify the gap and determine the level of service quality in private sector banks and then multiple regression analysis applied to identify influence of service quality dimensions with respect to client satisfaction. It is also an eye- opener for the banks to see the gap between clients' expectation and perception regarding the quality of services rendered, which should further act as a motivator to enhance reputation and gain clients loyalty. This will in turn give them the elusive competitive edge they are looking for in private sector banking."

KEY WORDS: Tangibility, Reliability, Responsiveness, Assurance and Empathy.

INTRODUCTION

Private sector banks play an important role in the uplift of economic realm of any country by providing a financial infrastructure in the services sector. In Indian banking sector has achieved remarkable growth in the recent decade and explored new horizon of services and induction of many new financial products into the Indian market. An escalate increase in the number of banks operating in Punjab in the last few years entered banking sector into competitive market in which every bank is trying to get maximum market share. The private banking sector of Punjab is predominated by nationalized banks with more than 2000 branches of which SBI and its associates have 822 branches, followed by private sector banks with 428 branches, regional rural banks with 251 branches and foreign banks with 8 branches. The current study illustrates that service quality in private sector banks is to meeting/exceeding expectations (Bennington and Cummane, 1998). To date, private sector banks in Punjab have tended to use more general

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instruments that measure service quality across a broad range of services, or scales contextually developed by a particular bank to cope with a specific. The SERVQUAL instrument is the most widely used and tested general measure of service quality especially in banks (Bennington and Cummane, 1998). This instrument has been widely adopted by both managers (Parasuraman, Zeithaml and Berry, 1991) and academics (Babakus and Boller, 1992; Cronin and Taylor, 1992; Carman, 1990; Crompton and MacKay, 1989) to evaluate client's perceptions of service quality for banking services. The SERVQUAL measures service quality from the perspective of the consumer in four districts of Punjab namely Ludhiana, Amritsar, Jalandhar and Chandigarh. Researcher asks clients to compare their perceptions of the service process and outcome against what they expected to receive from private sector banks (ICICI, IDBI, HDFC, AXIS, and Bank of Punjab) in Punjab. This research study conducted in Punjab, according to (Goyal and Thakur, 2008) concludes that public sector banks that have no monopoly licenses are to be given to new private sector banks and foreign banks. However, when the public sector banks realized that government was no longer there for them, they started devising various strategies for survival and growth. This research study reveals that the service quality instrument employed was reliable and possessed the power to understand the opinion of private sector banks' clients in Punjab. Researcher used service quality model and evaluate five dimensions of service quality by the clients of private sector banks, the five determinants of the model are as follows: *tangibles* (Four items- modern looking equipment, the physical facilities, neat appearing, and visually appealing.), *reliability* (Five items- promise to do, , sincere interest in solving it, perform the service , promise to do so, and insist on error free records.), *responsiveness* (Four items- tell customers exactly when services will be performed, give prompt service to customers, employees always be willing to help customers, and respond to customers' request.), *assurance* (Four items- instill confidence in customers, customers feel safe in transactions, employees consistently courteous with customers, and knowledge to answer customers' questions.) and *empathy* (Five items- individual attention, operating hours convenient to all their customers, personal attention, customer's best interest at heart, and the employees understand specific needs). The current study in Punjab shows that the sub scale 'reliability' deals primarily with the outcome of service

delivery, whilst the other four dimensions (tangibility, responsiveness, assurance, and empathy) concern the process of service delivery in private sector banks. In total, 22 attributes are used to describe the five determinants and clients are asked to rate (on a five-point scale from "Strongly Disagree" to Strongly Agree") what they expected from the service provided by the banks and how they perceived the banking service. An overall quality score is calculated based on the discrepancies between expectations and perceptions over the 22 attributes. Therefore, the purpose of this study was to measure the client satisfaction of private sector banks in Punjab (Ludhiana, Amritsar, Jalandhar and Chandigarh). This study revealed the perceived difference of opinion of banks' clients how they actually perceive service quality of private sector banks in Punjab.

In this paper, researcher first perform a theoretical literature review of the existing knowledge about private sector banking system in India. Afterwards, on the basis of an exploratory study, the service quality model specification is drawn up to represent the client perception towards private banks. Findings are significant for the private sector banks in Punjab to improve their service quality approaches and to build new service standards according to contemporary market

practices and to train their employees who could provide client expected services and banks with highly responsive employees facilitate to create strong client bondage and banks need to improve employees related attributes of service quality, especially managers should focus their attention on service quality because it matters most to client. Finally, it would be significant for the policy makers, and marketers of private sector banking industry to make and implement client oriented service quality strategies.

LITRATURE REVIEW

This research paper contains an overview of literature on service quality in Indian banking sector and as well as other countries also. The following are some of the studies and their relevance to the researcher's area of research. According to Jain and Jain (2006) show that the Indian banking industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. There has been a great surge in retail banking. The study based on responses received from 200 customers of HDFC bank, ICICI bank and some other private and nationalized banks in Varanasi identified the various types of services offered by banks, the level of satisfaction about different types of services, expectations about these services and the

level of segmentation among the services offered. Service quality research has indicated that service quality has been increasingly recognized as a critical factor in the success of any business (Parasuraman et al., 1988), and the banking industry in this case in not exceptional (Hossain & Leo, 2009). Service quality has been widely used to evaluate the performance of banking services (Cowling & Newman, 1995). The banks understand that customers will be loyal if they provide greater value (quality services) than their competitors (Dawes & Swailes, 1999), and on other hand, banks can only earn high profits if they are able to position themselves better than competitor within specific market (Davies et al., 1995). Levesque & McDougall (1996) pointed out that customer satisfaction and retention are critical for retail banks, and investigate the major determinants of customer satisfaction (service quality, service features, situational factors and customer complaint handling), and future intentions in the retail bank sector. Bloemer et al. (1998) explore how image, perceived service quality and satisfaction determine loyalty in a retail bank. Armstrong & Seng (2000) analyze the determinants of customer satisfaction in the banking industry (purchase intentions, transactional

paradigm, and fairness (equity). Jamal & Naser (2002) suggest that customer satisfaction is based not only on the judgment of customers towards the reliability of the delivered service, but also with customers' experiences with the service delivery process. Therefore, they report demographic differences (education, gender and income levels) in the degree of customer satisfaction. Hence, customer satisfaction with commercial and retail banking is composed of a wide variety of dimensions. Thus, consumer satisfaction thus (delete it) reveals the general evaluation of the actions carried out by a given business in relation to expectations accumulated after various contact between the consumer and business (Bitner & Hubber, 1994). Therefore, Singh (2004) analyzed the level of customer services, and explained that customers' satisfaction is determined by branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redress and very importantly, staff skills, attitude and responses. The ongoing review shows that a customer's satisfaction of is an invaluable asset for the modern organization. To reduce the complaints, bank should improve service because the

survival of banking business is dependent on client service.

This study seeks to evaluate empirically the degree of effect on client satisfaction of various service quality dimensions as perceived by clients of private sector banks in Punjab. Deriving factors influencing client satisfaction, it attempts to clarify the client satisfaction in private sector banks. Indian banking environment, where Indian bankers consider delivery of excellent service quality to clients a key to success and survival, the findings from the study can provide them with valuable insights in ways of enhancing service quality so as to induce greater client satisfaction and positive behavioural outcomes private sector banks in Punjab.

OBJECTIVES OF THE STUDY

1. To study the service quality gap in terms of tangibility, reliability, responsiveness, assurance, and empathy in private sector banks.

2. To study the relationship between overall client satisfaction with service quality dimensions in the private sector banks.

METHOD

Research Design

The present study used a cross-sectional research design which is a study based on accumulated data analysis to provide insights to answering our research questions. According to Cresswell, 1998, cross-sectional studies allow the researchers to integrate variables highlighted within the relevant literature. To determine perceived service quality in private sector banks, researcher measure level of difference between clients' expectation and their performance of the actual service that was delivered by a company (Parasuraman, Zeithaml, and Berry, 1988). The methodology employed obtaining information about client satisfaction in private sector banks (ICICI, IDBI, HDFC, AXIS, and Bank of Punjab) via a field survey conducted at a sample of the general consumer population. The survey questionnaire is designed and distributed to target respondent. Targeted respondents are the general public who are at the legal age to hold a Savings Account in any of the private sector banks in four districts of Punjab (Ludhiana, Amritsar, Jalandhar, and Chandigarh). In order for the research to produce a realistic outcome, the collation of data has to be distributed over a 400 saving accounts holders. Sampling method that use in this study is non-probability sampling i.e. convenience. Thus, the survey questionnaires are designed to apply to a heterogeneous population, where targeted respondents come from the general public

(from difference genders, age groups, education backgrounds, and occupations). Owing to the fact that different levels of the society have different expectations and needs, therefore, the idea of choosing respondents from different backgrounds will most certainly generate a more reliable outcome towards service quality by private sector banks in Punjab. While some responded promptly to the survey, others took a little bit time to digest the questions and enquiries. Nonetheless, overall, most of them are very helpful and kind to fill our questionnaire patiently and some even provided their own personal opinions. The survey questionnaires were administered via face to face interviews.

Respondents' background

Table-1:

From the total of 400 respondents, 25% are between 21-30 yrs, 28.6% are between 31-40 yrs, 29.8% are between 41-50 yrs, 10.7% are between 51-60 yrs, and only 6% respondents are 61yrs and above. In terms of age category 71.4% are male and 28.6% are male within which 8.3% are intermediate, 54.8% are graduates, 26.6% are post graduates, and remaining 8.3% are professionals. Among the respondents their occupations categories, 4.8% are government job, 17.9% are private job holders, 57.1% are self-employed and rest of the 13.1% are students.

Questionnaire Design

Parasuraman, Zeithaml, and Berry (1988) developed a twenty-two-item instrument, recognised as SERVQUAL, which has become widely used as a generic instrument for measuring service quality. The questionnaire consists of 22 parallel expectation (E) and perception (P) statements the five service quality dimensions and respondents are required to rate the satisfaction level of the private sector banks they have chosen or attached with into a five pre-defined level scale - "Strongly Disagree", "Disagree", "Neutral", "Agree" and "Strongly Agree". The aim is to collect the opinions of the clients in response to the importance of SERVQUAL in chosen private sector banks. The answers of the questionnaire are solely based on the respondents` experience and personal opinion; there are no exact answers.

Data analysis

A statistical package for social sciences (SPSS) version 20 was used to analyze the data from the questionnaires. Firstly, paired t- test was used to assess the significant difference between the perception and expectation. Secondly, a multiple regression analysis was used to measure the perceived service quality effect.

DATA ANALYSIS & INTERPRETATION:

The next step of banking service evaluation is to collect the results of the SERVQUAL questionnaire, and adopt various statistical methods to analyze the data. This study will adopt a special measurement to analyze the data in the following aspects:

Gap analysis in private sector banks

Gap analysis is not new in private sector bank context and a number of studies have been influenced by the work of (Parasuraman *et al.,* 1985). For example, (Long *et al.,* 1999) 'gap analysis' to develop a number of questions in order to compare what client 'look for' (expect) and what they 'experience' on a course. (Sander *al.,* 2000) meanwhile examined customers' expectations and preferences in banking. Customers judge actually quality according to their expectations (Ghobadian *et al.,* 1994; Dotchin & Oakland, 1994: Kandampully, 1997; Fergueson *et al.,* 1999, Lee *et al.,* 2000; Walter & Germunden, 2000). The ultimate measure of quality is whether or not the product or service lives up to expectations of the clients. The most widely used and tested service quality instrument has SERVQUAL, based on the service quality 'gap model' (Parasuraman *et al.,*1988,1991,1993,1994), which defines service quality as a function of gap between customers' expectations of a service and their perceptions of the actual service delivery by organization. The instrument represents a multi-item scale that since its development has been widely used for measuring client expectations and perceptions of service quality in private sector banks. It consists of 22 parallel expectation (E) and perception (P) statements on the five service quality dimensions. In order to obtain view for the statement, clients are required to select a response on Likert scales that ranges from strongly disagree to strongly agree. This then allows for the difference scores for each dimension to be calculated. The difference (P-E = Q) represents the measure of service quality (Q). Where Q is negative a service gap exists. However, when Q is positive the client expectations are being exceeded.

Table-2

The mean scores from the sample are illustrated in Tables -2. For each statement the mean Expectation (E) and Perception (P) values, along with a service quality value from the formula are presented as Q = P – E (Parasuraman *et al.,* 1988). The three columns provide summary results for the private sector banks and the overall SERVQUAL results are illustrated in Table -2, above the three columns. Where the gap (P – E) is negative, this refers to

perceptions of the banks falling short against initial clients' expectations and the presence of service quality gaps. The findings suggest a short fall on all the items measured. The expectation and perception items were measured using a five point Lickert scale, from 1 = strongly disagree to 5 = strongly agree, with three serving as a mid point/neutral opinion on the scale. Mean scores greater than three identify a tendency for respondents to agree with a particular statement, whereas means of less than three indicate disagreement.

Expectations (E)

Tables -2 depicts the following useful information: it can be concluded that expectation (E) values among the clients per se were high (means ranging from 4.23 to 4.40). Five statements (11, 15, 17, 19, and 22) illustrate mean scores of 4.23 or greater. This suggests that clients really have high expectations in terms of prompt service to customers, feel safe in transactions, answer customers' questions, operating hours convenient, and understand specific needs. The clients also have a desire for trained employees who are willing to help them.

Perceptions (P)

Overall five perception items (2, 3, 13, 14, and 16) are close to mid value on the scale, suggesting there is some agreement among clients in terms of the banks' physical facilities, neat appearing, respond to customers' request, confidence in customers, and courteous with customers. Meanwhile 8 items (1, 6, 15, 17, 18, 19, 21, and 22) exceeded 3.7, suggesting that the sample had a tendency to agree that modern-looking equipment, sincere interest in solving it, feel safe in transactions, answer customers' questions, individual attention, operating hours convenient, best interest at heart and understand specific needs of clients.
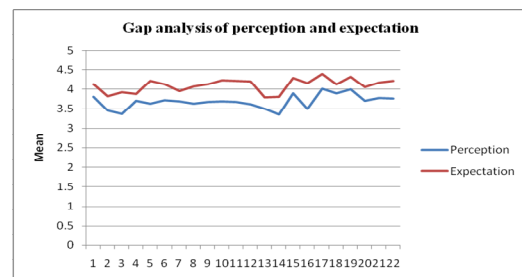
Figure 1: Gap analysis of perception and expectation

Service Quality Gap Analysis (P-E)

The service quality gaps are demonstrated in the third column of Tables -2. As each item has a negative value, clients' perceptions of the service are falling short of their expectations.

Paired sample t-test statistics

Paired sample t-tests were also undertaken on the perception and expectation mean items, in order to identify whether or not statistically significant service quality gaps were apparent.

Table-3

Findings from data presented in Table-3 demonstrate significant differences between bank clients' perceptions and expectations of service on all 22 statements. However, for all the statements, there is a statistical significance of a 0.05, which illustrates a statistically significant gap between the clients' perceptions and expectations of service at the 95% confidence level. These represent service quality gaps that the private sector banks should take the appropriate measures on-board to bridge.

BANKWISE SERVICE QUALITY GAP

In this section, researcher found the difference between client's perceptions and expectations for the service quality dimensions: tangibility, reliability, responsiveness, assurance, & empathy of five private sector banks i.e. ICICI, IDBI, HDFC, AXIS, & Bank of Punjab. The current study, the main focus of analysis is on client expectations and perceptions in relation to service quality dimensions as follows: tangibility, reliability, responsiveness, assurance, & empathy. Expectations and perceptions were measured on a five point scale. The average of difference between client expectations and client perceptions were calculated separately for five private sector banks.

Table-4

To measure the service quality of the banks, the mean of SERVQUAL scores on all dimensions was computed separately for each bank and is presented in Table-4. Our findings shows that the service quality of the IDBI bank (-3.88) is high followed by Bank of Punjab (-07.60), HDFC (-09.25), ICICI (-11.14), and AXIS bank (-11.25). The results depicts that all five banks fall below the expectations of their respective clients because their scores are in negative.

SERVQUAL DIMENSION WISE ANALYSIS & INTERPRETATION

(i) Tangibility

Table-5

Tangibles encompass the *'modern-looking equipment', 'physical facilities', 'neat appearing', and 'visually appealing'*. Our research shows that Bank of Punjab has a maximum gap (-2.00) followed by ICICI (-1.77), HDFC (-1.33), AXIS (-1.33), and IDBI (-0.45) it means Bank of Punjab needs to improve the tangible features in bank. As far as tangibility is concerned the IDBI bank is superior to other private sector banks. At ICICI bank there is significant difference between the perception and expectation for *'physical facilities', and 'neat appearing'*. The two banks, the IDBI and the Bank of Punjab have no significant difference for perception and expectation. HDFC banks

needs to improve the *'modern- looking equipment '*and *'neat appearing'*. The AXIS bank should upgrade the *'physical facilities'* in the banks. The item wise analysis of tangibility shows serious shortfall of perceptions among private sector banks and these banks should improve the for *'physical facilities', and 'neat appearing'*.

(ii) Reliability

Table-6

Findings related to **reliability** reveal that Bank of Punjab has maximum gap (-4.6) followed by ICICI (-3.00), AXIS (-2.21), HDFC (-1.93), and IDBI (-0.22). Researcher found significant difference (P <0.05) in ICICI bank, which are as follows: *'promise to do something', 'sincere interest in solving it', 'provide the service'; 'insist on error free records'*. HDFC bank has significant difference (P <0.05) on *'provide the service'*, *'insist on error free records'* and Bank of Punjab has significant difference on *'provide the service'*. It means ICICI bank has to improve the above four reliability attributes, HDFC bank also up-to-date two attributes and Bank of Punjab focused on *'provide the service '*to the clients.

(iii) Responsiveness

Table-7

Responsiveness means timely reaction towards the clients' needs. Our findings show that there is significant difference (** $p < 0.05$) of perception and expectation in ICICI bank for *responsiveness* attributes such as *'tell customers exactly', 'prompt service to customers', 'willing to help customers', 'respond to customers request'* followed by HDFC Bank (** $p < 0.05$) for *'prompt service to customers', 'willing to help customers', 'respond to customers request'*. The item-wise analysis of responsiveness dimension shows that ICICI and HDFC banks are falling below the expectations of their respective clients; both the banks need to fill the above gap.

(iv) Assurance

(v) Table-8

Based on the finding, HDFC bank has highest perception and expectation gap, followed by ICICI, AXIS, IDBI and Bank of Punjab. There is significant difference (** $p < 0.05$) in ICICI Bank for four attributes of **assurance** such as *'confidence in customers', 'feel safe in transactions', 'courteous with customers', 'answer customers' questions'*. This research also

found, IDBI bank has significant difference (** p < 0.05) only for *'courteous with customers'*, HDFC bank has significant difference (** p < 0.05) for *'feel safe in transactions', 'courteous with customers', 'answer customers' questions'* and findings of Axis bank reveal that they are *'courteous with customers'*. In this manner the private sector banks should improve the assurance in their services. This is a way to retain the clients and it can even become a selling point to a particular bank if they can provide a better security compared to others.

(vi) Empathy

Table-9

The results of the research suggest that there is a significant difference** p < 0.05 for the two attributes of empathy ar*e 'interest at heart', and 'understand client specific needs'* in ICICI bank. The HDFC bank has significant difference only *'operating hours convenient'*, AXIS bank focused on *'personal attention', & 'interest at heart'*. This research study found maximum perception and expectation gap in AXIS bank followed by ICICI, HDFC, IDBI and Bank of Punjab. By human nature, people tend to expect empathy and respect from someone who they wish to deal with. Skilled employees provide the platform to mitigate the problem of workloads and error, provide a more efficient and quicker

problem solving solution. Yet, the banks should maintain and improve the empathy skill since personal contact is still very important in direct marketing.

Client's satisfaction in private sector banks

Table-10

In this section, researcher identified which aspects of service quality have a stronger influence on the client satisfaction. In each model five service quality dimensions, which consisted of 22 items, served as the independent variables and overall client satisfaction as the dependent variable. Results show that all five dimensions: tangibility, reliability, responsiveness, assurance and empathy are significant predictors of customer satisfaction in private sector banks. An inspection of the coefficient of determination (R^2) shows that service quality is an effective predictor of client satisfaction and adjusted R^2 value for client satisfaction was found to be 0.978 and 0.977 respectively in case of private sector banks. For private sector banks, among service quality dimensions, reliability had the most powerful impact on client satisfaction. Empathy showed the second most powerful effect among service quality factors on client satisfaction, followed by responsiveness, assurance and tangibility. The study findings, therefore, indicated that although service quality is a significant determinant

of client satisfaction in Punjab' private sector banks but the service quality factors were found to be different.

Managerial implications of the study

In terms of managerial implication, the findings do provide some insights and feedback for marketers of banking industry in drafting various service marketing strategies on how to enhance a favourable image in the minds of clients. For bank managers in the private banking industry it is pertinent that all the components in a service quality program be strictly followed and implemented effectively. Punjab has a huge market for private sector banks and good opportunities in future. Tangibility, Reliability, Responsiveness, Assurance, and Empathy are all equally important. Bank managers should not only focus on the bank's objective of profits and gains but must also look into the needs of the clients. As a matter of fact, the bank manager should recommend extensive client-relations training programs for all the frontlines and tellers. In this way it would fortify the bank's core competency in customer satisfaction. The result of this study has proven that SERVQUAL model is still the effective model to measure customer satisfaction in the private sector banking. Bank managers from various banks should

continuously measure and improve the level of customer satisfaction using the SERVQUAL model in order to maintain competitive edge in the market place. Market perception and client expectation can change rapidly from time to time.

Suggestion for future Research

The present study suggests that the future research in private sector banks should attempt to extend the study on relationship between urban and rural places in term of cultural, regional and demographic issues which are missing in this study. Further research should be conducted to determine the factors that actually contribute to the differences in client satisfaction between urban and rural places in the state of Punjab. Coverage on a wider geographical area or city could also be considered for future study in order to enhance the generalization of the findings and to further investigate potential differences in client satisfaction between these areas.

CONCLUSION

The current study has examined the service-quality issues from the perspective of clients with respect to four cities of Punjab. The private sector banks focus on delivering what is of value to their clients; this will generate the potential for repeat business as well. The feedbacks from the

survey are a testament to the client' perception and expectation gap of service quality dimensions and was negative; it means that client expect more from the banks. Now it is the duty of bank managers to improve all dimensions of service quality and reduce the gap. Similarly, the other attributes such as tangibility, reliability, responsiveness, assurances, and empathy have positive relationship with client satisfaction. It is far more difficult to measure the level of performance and satisfaction when it comes to the intangible expectations. Of course, one of the difficulties in understanding the true client requirements is that the client can and will change them without notice to the banks. The approach taken in this study may prove diagnostically useful to the private sector bankers in terms of investigating the importance of process and outcome quality attributes that influence the service quality. The challenge before the private sector bankers in Punjab, therefore, is to determine which process and outcome quality attributes of service quality have the greatest impact on choice. Once identified, the bankers could develop a marketing program that emphasizes the most important attributes while reasonably containing the cost of those service quality attributes to which the client is indifferent. The private sector banker could use the findings of present study to predict choice of market segment as a function of perceived service quality in the state of Punjab.

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APPENDIX

Table-1: Respondents' background

Variables		Percentages
Age (Years)	21-30	25.0
	31-40	28.6
	41-50	29.8
	51-60	10.7
	61 and Above	6.00
Gender	Male	71.4
	Female	28.6
Education	Intermediate	8.3
	Graduation	54.8
	Post Graduation	28.6
	Professionals	8.30
Occupation	Government Job	4.80
	Private Job	17.9
	Self employed	57.1
	Unemployed	07.1
	Student	13.1

Table-2: Mean score (Standard deviation) for SERVQUAL dimensions

S.No.	Statements	Perception Mean (S.D)	Expectation Mean (S.D)	Gap (P-E)
	Tangibility			
1.	Modern-looking equipment	3.81(.653)	4.14 (.735)	-.33
2.	Physical facilities	3.45 (.569)	3.83(.746)	-.38
3.	Neat appearing	3.36 (.655)	3.93 (.640)	-.57
4.	Visually appealing	3.70 (.711)	3.89 (1.00)	-.11
	Reliability			
5.	Promise to do something	3.63 (.760)	4.22 (.564)	-.59
6	Sincere interest in solving it	3.71 (.789)	4.13 (.580)	-.42
7.	Perform the service	3.69 (.840)	3.96 (.689)	-.27
8.	Provide the service	3.63 (.920)	4.08 (.629)	-.45
9.	Insist on error free records	3.67 (.767)	4.14 (.783)	-.47
	Responsiveness			
10.	Tell customers exactly	3.69 (.643)	4.24 (.673)	-.55
11.	Prompt service to customers	3.67 (.754)	4.22 (.609)	-.55
12.	Willing to help customers	3.62 (.748)	4.21 (.680)	-.59
13.	Respond to customers' request	3.49 (.846)	3.80 (.894)	-.31
	Assurance			
14.	Confidence in customers	3.35 (.833)	3.81(1.05)	-.46
15.	Feel safe in transactions	3.89 (.733)	4.30 (.619)	-.41
16.	Courteous with customers	3.49 (.632)	4.16 (.653)	-.67

17.	Answer customers' questions	4.01 (.707)	4.40 (.748)	-.39
	Empathy			
18.	Individual attention	3.89 (.625)	4.13 (.838)	-.24
19.	Operating hours convenient	3.99 (.804)	4.33 (.885)	-.34
20.	Personal attention	3.70 (.777)	4.06 (.832)	-.36
21.	Best interest at heart	3.78 (.682)	4.18 (.783)	-.40
22.	Understand specific needs	3.76 (.673)	4.23 (.650)	-.47
	SERVQUAL totals	80.95	90.09	-9.14
	SERVQUAL average	3.67	4.09	-.415

Table-3: Paired sample t-test statistics

S.No.	Statements	t-test	p-value
	Tangibility		
1.	Modern-looking equipment	3.361	.001
2.	Physical facilities	3.811	.000
3.	Neat appearing	6.012	.000
4.	Visually appealing	1.861	.032
	Reliability		
5.	Promise to do something	5.584	.000
6	Sincere interest in solving it	4.211	.000
7.	Perform the service	2.326	.023
8.	Provide the service	3.766	.000
9.	Insist on error free records	4.977	.000
	Responsiveness		
10.	Tell customers exactly	5.370	.000
11.	Prompt service to customers	5.188	.000
12.	Willing to help customers	5.626	.000
13.	Respond to customers' request	2.443	.017
	Assurance		
14.	Confidence in customers	3.658	.000
15.	Feel safe in transactions	4.222	.000
16.	Courteous with customers	6.331	.000
17.	Answer customers' questions	3.359	.001
	Empathy		
18.	Individual attention	2.425	.017
19.	Operating hours convenient	2.623	.010
20.	Personal attention	3.535	.001
21.	Best interest at heart	4.170	.000
22.	Understand specific needs	4.427	.000

Table-4: **Bank wise service gap**

Banks	SERVQUAL DIMENSIONS					Overall Service
	Tangibility	Reliability	Responsiveness	Assurance	Empathy	Quality

ICICI	-1.77	-3.00	-2.15	-2.11	-2.21	-11.14
IDBI	-0.45	-0.22	-0.87	-1.28	-1.06	-03.88
HDFC	-1.33	-1.93	-2.30	-2.27	-1.42	-09.25
AXIS	-1.33	-2.21	-1.90	-1.89	-3.88	-11.25
Bank of Punjab	-2.00	-4.60	-1.80	0.40	0.40	-07.60

Table-5: Gap analysis of perception and expectation for *tangibility* sub scale

	Tangibility		Modern-looking equipment		Physical facilities		Neat appearing		Visually appealing		Perception Total	Expectation Total
			E1	P1	E2	P2	E3	P3	E4	P4	P	E
Banks	ICICI	Mean	3.88	3.77	3.92	3.42	4.04	3.19	3.73	3.42	13.8	15.57
		SD	.766	.514	.891	.504	.662	.567	.962	.578		
		Gap(P-E)	-.11		-.50		-.85		-.31		-1.77	
		Paired t-test	.592		2.476**		5.500**		1.775			
		P-value	.559		.020		.000		.088			
	IDBI	Mean	4.38	4.08	3.69	3.50	3.77	3.50	3.77	4.08	15.16	15.61
		SD	.650	.669	.630	.674	.599	.798	.927	.669		
		Gap(P-E)	-.30		-.19		-.27		.31		-.45	
		Paired t-test	1.149		.518		.761		-.761			
		P-value	.275		.615		.463		.463			
	HDFC	Mean	4.26	3.84	3.71	3.42	3.94	3.42	3.39	3.77	14.45	15.3
		SD	.682	.583	.693	.564	.574	.564	1.054	.762		
		Gap(P-E)	-.42		-.29		-.52		.38		-1.33	
		Paired t-test	3.474**		1.871		4.246**		-1.616			
		P-value	.002		.071		.000		.117			
	AXIS	Mean	4.22	3.78	4.00	3.33	3.78	3.22	3.44	3.78	14.11	15.44
		SD	.833	.667	.707	.707	.667	.833	1.130	.667		
		Gap(P-E)	-.44		-.67		-.56		.34		-1.33	
		Paired t-test	1.180		2.828**		1.644		-.894			
		P-value	.272		.022		.139		.397			
	Bank of Punjab	Mean	4.20	3.20	4.20	3.80	4.00	3.80	3.80	3.60	14.4	16.2
		SD	.837	1.30	.447	.447	1.00	.837	.837	.894		
		Gap(P-E)	-1.00		-.40		-.20		-.20		-2	
		Paired t-test	1.414		1.633		.408		.535			
		P-value	.230		.178		.704		.621			

** p < 0.05

Table-6: Gap analysis of perception and expectation for *reliability* sub scale

	Reliability		Promise to do		Interest in solving		Perform the service		Provide the service		Error free records		Perception Total	Expectation Total
			E5	P5	E6	P6	E7	P7	E 8	P8	E9	P9	P	E
Banks	ICICI	Mean	4.38	3.46	4.15	3.46	3.85	3.58	4.04	3.42	4.04	3.54	17.46	20.46
		SD	.697	.647	.613	.706	.834	.857	.720	.857	.824	.706		
		Gap(P-E)	-.92		-.69		-.27		-.62		-.50		-3	

	Paired t-test	5.283**	4.478**	1.158	2.540**	2.687**	
	P-value	.000	.000	.258	.018	.013	
IDBI	Mean	4.15 3.83	3.85 3.75	3.77 4.00	3.92 4.08	4.15 4.00	19.66 19.84
	SD	.555 .937	.689 .754	.725 .953	.494 .996	.801 .739	
	Gap(P-E)	-.32	-.10	.23	.16	-.15	-.22
	Paired t-test	1.076	.692	-.561	-.518	.321	
	P-value	.305	.504	.586	.615	.754	
HDFC	Mean	4.16 3.84	4.16 3.90	4.03 3.74	4.16 3.71	4.35 3.74	18.93 20.86
	SD	.523 .583	.523 .746	.605 .773	.638 .938	.709 .855	
	Gap(P-E)	-.32	-.26	-.29	-.45	-.61	-1.93
	Paired t-test	1.976	1.680*	1.606	2.528*	4.487**	
	P-value	.057	.103	.119	.017	.000	
AXIS	Mean	4.00 3.5	4.11 3.89	4.11 3.56	4.00 3.56	3.89 3.33	17.9 20.11
	SD	.000 .72	.601 1.05	.333 .882	.500 .882	.928 .707	
	Gap(P-E)	-.50	-.22	-.55	-.44	-.56	-2.21
	Paired t-test	1.835	.555	1.644	1.315	1.644	
	P-value	.104	.594	.139	.225	.139	
Bank of Punjab	Mean	4.20 2.8	4.40 3.40	4.20 3.40	4.40 3.20	4.00 3.80	16.6 21.2
	SD	.447 1.3	.548 .894	.837 .894	.548 .837	.707 .447	
	Gap(P-E)	-1.40	-1.00	-.80	-1.20	-.20	-4.6
	Paired t-test	2.746	1.826	1.372	3.207**	1.000	
	P-value	.052	.142	.242	.033	.374	

** p < 0.05

Table-7: Gap analysis of perception and expectation for *responsiveness* sub scale

Responsiveness			Banks tell customers exactly	Prompt service to customers	Willing to help customers	Never be too busy	Perception Total	Expectation Total
			E10 P10	E11 P11	P12 E12	E13 P13	P	E
Banks	ICICI	Mean	4.15 3.62	4.15 3.69	4.23 3.69	3.85 3.23	14.23	16.38
		SD	.732 .697	.543 .788	.587 .788	.834 .863		
		Gap(P-E)	-.53	-.46	-.54	-.62	-2.15	
		Paired t-test	2.669**	2.483**	2.573**	2.685**		
		P-value	.013	.020	.016	.013		
	IDBI	Mean	4.23 4.00	3.85 3.75	4.08 3.50	3.54 3.58	14.83	15.7
		SD	.599 .603	.801 .622	.862 .798	1.05 .669		
		Gap(P-E)	-.23	-.10	-.58	.04	-.87	
		Paired t-test	1.483	.518	2.028	.000		
		P-value	.166	.615	.067	1.000		
	HDFC	Mean	4.32 3.61	4.39 3.58	4.16 3.58	3.81 3.61	14.38	16.68
		SD	.653 .615	.558 .765	.688 .620	.946 .844		
		Gap(P-E)	-.71	-.81	-.58	-.20	-2.3	
		Paired t-test	4.383**	5.146**	3.815**	.947		
		P-value	.000	.000	.001	.351		
	AXIS	Mean	4.00 3.78	4.11 3.50	4.22 3.38	3.56 3.33	13.99	15.89
		SD	.707 .667	.601 .756	.667 .916	.726 1.00		
		Gap(P-E)	-.22	-.61	-.84	-.23	-1.9	
		Paired t-test	.686	1.667	2.049	.610		

	P-value	.512		.140		.080		.559	
Bank of Punjab	Mean	4.40	3.60	4.40	4.20	4.80	4.20	4.40	4.20	16.2	18
	SD	.894	.548	.548	.837	.447	.837	.548	.447	
	Gap(P-E)	-.80		-.20		-.60		-.20		-1.8
	Paired t-test	1.633		.535		1.500		1.000		
	P-value	.178		.621		.208		.374		

** $p < 0.05$

Table-8: Gap analysis of perception and expectation for *assurance* sub scale

Assurance			Confidence in customers		Feel safe in transactions		Courteous with customers		Answer customers' questions		Expectation Total	Perception Total
			E14	P14	E15	P15	E16	P16	E17	P17	P	E
Banks	ICICI	Mean	3.88	3.38	4.15	3.69	4.08	3.35	4.15	3.73	14.15	16.26
		SD	.909	.752	.732	.618	.688	.562	.834	.604		
		Gap(P-E)	-.50		-.46		-.73		-.42		-2.11	
		Paired t-test	2.236**		2.601**		4.200**		2.101**			
		P-value	.035		.015		.000		.046			
	IDBI	Mean	3.69	3.42	4.46	4.08	4.08	3.58	4.38	4.25	15.33	16.61
		SD	1.251	.996	.519	.669	.862	.669	.650	.754		
		Gap(P-E)	-.27		-.38		-.50		-.13		-1.28	
		Paired t-test	1.820		2.159		4.062**		.518			
		P-value	.096		.054		.002		.615			
	HDFC	Mean	3.68	3.19	4.39	3.87	4.26	3.52	4.52	4.00	14.58	16.85
		SD	1.166	.873	.495	.806	.631	.677	.724	.730		
		Gap(P-E)	-.49		-.52		-.74		-.52		-2.27	
		Paired t-test	2.013		2.988**		5.053**		2.562**			
		P-value	.053		.006		.000		.016			
	AXIS	Mean	3.89	3.44	4.33	4.00	4.22	3.44	4.44	4.11	14.99	16.88
		SD	1.167	.882	.500	.707	.441	.527	.726	.601		
		Gap(P-E)	-.45		-.33		-.78		-.33		-1.89	
		Paired t-test	1.180		1.155		4.400**		1.000			
		P-value	.272		.282		.002		.347			
	Bank of Punjab	Mean	4.00	3.80	4.00	4.40	3.80	4.00	4.80	4.80	17	16.6
		SD	.707	.447	1.000	.894	.447	.707	.447	.447		
		Gap(P-E)	-.20		.40		.20		.00		.4	
		Paired t-test	.535		-1.633		-2.138		.000			
		P-value	.621		.178		.099		1.000			

** $p < 0.05$

Table-9: Gap analysis of perception and expectation for *empathy* sub scale

Empathy			Individual attention		Operating hours convenient		Personal attention		Customer' best interest		Specific needs		Perception Total	Expectation Total
			E18	P18	E19	P19	E20	P20	E21	P21	E22	P22	P	E
Banks	ICICI	Mean	4.19	3.81	4.15	3.85	3.96	3.58	4.19	3.69	4.23	3.58	18.51	20.72
		SD	.801	.567	1.00	.784	.916	.643	.694	.679	.652	.643		
		Gap(P-E)	-.38		-.30		-.38		-.50		-.65		-2.21	

	Paired t-test	1.995		1.248		1.848		3.606**		3.942**		
	P-value	.057		.224		.076		.001		.001		
IDBI	Mean	4.08	4.00	4.62	4.33	4.15	3.83	4.31	4.08	4.31	4.17	20.41	21.47
	SD	.760	.739	.870	.985	.801	.835	.630	.515	.480	.577		
	Gap(P-E)	-.08		-.29		-.32		-.23		-.14		-1.06	
	Paired t-test	.804		.583		1.603		1.149		.804			
	P-value	.438		.571		.137		.275		.438			
HDFC	Mean	4.10	3.90	4.45	4.00	4.00	3.71	4.00	3.81	4.10	3.81	19.23	20.65
	SD	.870	.539	.723	.775	.775	.824	.894	.703	.700	.654		
	Gap(P-E)	-.20		-.45		-.29		-.19		-.29		-1.42	
	Paired t-test	1.235		2.447**		1.961		1.099		1.556			
	P-value	.226		.020		.059		.280		.130			
AXIS	Mean	4.22	3.89	4.67	4.00	4.44	3.67	4.44	3.56	4.67	3.44	18.56	22.44
	SD	.833	.782	.500	.707	.726	.866	.726	.726	.500	.726		
	Gap(P-E)	-.33		-.67		-.77		-.88		-1.23		-3.88	
	Paired t-test	.894		2.000		2.401**		2.874**		3.773**			
	P-value	.397		.081		.043		.021		.005			
Bank of Punjab	Mean	3.80	4.00	3.20	3.80	3.80	4.00	4.40	3.80	4.00	4.00	19.6	19.2
	SD	1.30	1.00	.837	.837	1.09	1.00	.894	.837	.707	.707		
	Gap(P-E)	.20		.60		.20		-.60		.00		.4	
	Paired t-test	-.535		-1.500		-.535		1.500		.000			
	P-value	.621		.208		.621		.208		1.000			

** $p < 0.05$

Table-10: Clients satisfaction in private sector banks

Dependent variable	Independent variable	Standardized Regression Coefficients (ß)	T- value	Significance Probability
	Constant		-1.291	.200
Overall Clients	Tangibility	.184	235.538	.000
	Reliability	**.330**	372.548	.000
Satisfaction	Responsiveness	.253	304.673	.000
	Assurance	.230	258.237	.000
	Empathy	.267	296.535	.000
	R^2	.978		
	Adjusted R^2	.977		
	F-value	507435.473		.000

Social Audit in Cooperatives – A case study on PACS Raidurg RR District
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In ancient times, emperors used to recruit persons designated as auditors to get feedback about the activities undertaken by the kings in their kingdoms. These auditors used to go to public places to listen to citizens' opinions on various matters like behaviour of employees, incidence of tax, image of local officials etc. The main idea behind that was to know how far the schemes of the government were implemented and the extent to which the schemes reached the ultimate beneficiary.

Charles Medawar of UK pioneered the concept of Social Audit (SA) in 1972 with the application of the idea in medicine policy, drug safety issues and on matters of corporate, governmental and professional accountability. According to Medawar, the concept of Social Audit starts with the principle that in a democracy the decision makers should account for the use of their powers, which should be used as far as possible with the consent and understanding of all concerned.

The first recorded example of a methodology for a full organizational Social Audit was developed in 1978 at Beechwood College (an independent worker co-operative training centre in England). The first presentations of the Social Audit were given in training courses and conferences run between 1978 and 1984 at Beechwood. In 1981 a manual called Social Audit – A Management Tool for Co-operative Working by Freer Spreckley was published. This was the first time the present method of Social Audit was fully described; it contained an organizational method for democratic organizations to use in setting social objectives and measuring their performance. It contained the four main elements of Social Purpose, External View, Internal View and Social Accounting. As part of this work Beechwood College also developed a set of Social Audit legal clauses for an organization's constitution, which were later used in 1985, as the basis for the Industrial Common Ownership Movement's (ICOM) model constitutions. The Social Audit model has since, the first edition, been updated, enlarged and re-published twice; the third edition published in April 2000 and titled Social Audit Toolkit.

One of the first recorded social reports was in Switzerland where the Migros Co-operative (a large multi-functional organization) first published a social report in 1978, which focused on one of its departments. The Migros Co-operative reports biannually on one part of its organization and uses quite detailed information running into reports of 100 pages.

In 1984 the Co-operative Retail Society (UK) started to look at the idea of Social Audit that larger organizations became interested in voluntarily undertaking a Social Audit. The CRS and the Cooperative Bank still carry out social reporting.

In the year 1979, Tata Iron and Steel Company (TISCO), Jamshedpur, implemented Social Audit and is first company in India to do so. Social Audit gained significance after the 73rd Amendment of the Constitution relating to Panchayat Raj institutions. The approach paper to the Ninth Five Year Plan (1997-2002) emphasizes Social Audit for the effective functioning of the Panchayat Raj institutions and for achieving the goal of decentralization in India

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Social auditing is a process that enables an organization to assess and demonstrate its social, economic, and environmental benefits and limitations. It is a way of measuring the extent to which an organization lives up to the shared values and objectives it has committed itself to. It is a technique to understand, measure, verify, report on and to improve the social performance of the organization.

The Cooperative Union of Canada, in its social audit manual, says: "Effective and efficient Organizations have a clear vision of where they are going and of how they are going to get there. The social audit process helps organizations achieve that clarity of purpose and efficiency of procedure.

"**Social audit** is a procedure wherein the cooperative assesses its social impact and ethical performance vis-a-vis its stated mission, vision, goals, and code of social responsibility for cooperatives (Article 5 (12) of Republic Act 9520, also known as the Cooperative Code of 2008 - Philippines).

Social auditing provides an assessment of the impact of an organization's non-financial objectives through systematically and regularly monitoring its performance and the views of its stakeholders i.e., Members, Board of Directors, employees, clients, volunteers, funders, contractors, suppliers and local residents interested in the organization.

Legal Provisions on Social Audit for Cooperatives: In India, no cooperative legislation has discussed about social audit in cooperatives. No provision were made about this concept, modus operandi etc. It was found that Philippines cooperative societies' legislation "*Cooperative Code of 2008*" has made certain provisions regarding Social audit (Annexure 1). However, *the 73rd amendment of the constitution has empowered the Gram Sabha to conduct social audit. (National Rural Employment Guarantee Act mandates conduct of 'Social Audit' on all stages of implementation of the scheme for ensuring public accountability in the implementation of the scheme.)*

Identification of the Problem and objectives of the Study: Why do social audits matter? Do they really prevent corruption? And what have they achieved? Do social audits matter? Do they reduce corruption? There is little hard evidence available to empirically answer this question. What do we know from experiences both in Andhra – which is now the only state to have successfully institutionalized social audits in the country – and across the country where sporadic social audits have been conducted and stories of corruption are unearthed? Andhra in its early days of social auditing reported a 'recovery' of Rs 60 lakhs of embezzled funds. This money was physically handed over to NREGA beneficiaries at public meetings that followed the social audits. More recent unconfirmed figures seem to suggest that over 28 crores worth of corruption has been unearthed by the social audits of which about 4 crores has been 'returned' (to use social audit lingo).

Cooperatives often get bad name and are labeled as centre of corruption. This talk is not specific to Andhra Pradesh but is a globally affected issue. There are many financial institutions in India and in Andhra Pradesh which have faced liquidation. To internalize transparency and accountability in the administrative system of the cooperatives and to remove the issues of the

corruption, social audit is a tool. So far, there is no empirical evidence of Social audit in cooperatives in India. In other words, no study was conducted on social audit in cooperatives in India. Hence, an initiative was taken to do social audit at least on experimental basis in Cooperatives. This study was conducted in Primary Agricultural Cooperative Society (PACS), Raidurg, as it was convenient for the study due to proximity. The Main objectives of the study was to conduct a Social Audit of the Primary Agricultural Cooperative Society (PACS) Raidurg, to find out the observations and to suggest measures to the observations of Social Audit of the Society.

Methodology adopted: To achieve the objectives of the study, the data was collected through:

1. Primary sources i.e., observation, field visits, Interviewing Employees of the society, Board of Directors and with 50 (fifty) beneficiaries i.e., members of the Primary Agricultural Cooperative Society (PACS), Raidurg, through questionnaire i.e., Member's perceptions and Society Social Audit Schedule. These two schedules were originally prepared by the VICTO Social Audit Project Edgar V. Comeros, Team Leader, Franco T. Baricuatro, auditor, Rodulfus Reyes, Auditor, Alma S. Vitorillo, Staff Coordinator of Philippines. But for the Indian situation and taking into consideration the local situations, these questionnaires were modified for this study. However, care was taken to not lose any meaning of the contents. Content validation was also done with discussions and experiments.

2. Data was also collected through secondary sources i.e., from the records, financial records & financial statements. For the study purpose, five years data was obtained. The data was collected from the 50 members of the society on Random sampling method to study the perceptions on the activities of the society and on employees. Five years financial data was collected from various records of the society.

About PACS, Rayadurg: The PACS Ltd, Rayadurg, Serilinagampalle Mandal, Ranga Reddy District was registered with TBC No. 76 Dated: 29-07-1997 as per letter RCNO. 2150/C/87 of the District Collector, Ranga Reddy District, by merging the Chandanagar, Nallagandla, Kukatpalle, Narsingi and Puppalguda Multi Purpose Cooperative Societies (MPCSs). The Area of operation of the society consists of three Mandals and 33 Revenue Villages having 190 square KM with total Agricultural Land of 3796 Acres, total Non-Agricultural Land of 10,449 Acres and with a population of above 1.00 lakh. Though the society has run some activities from 1983-84 to 1986-87, there was no much development in the society. The management of the society has not taken any proactive steps for the development of the society and thus the society has entered into the stage of liquidation. There was a huge loss of Rs. 4.00 lakhs with outstanding borrowings of Rs. 4.31 lakhs. Due to non-availability of proper records there was no proper understanding on the society. Hence, for 12 years the society could not get the accounts audited i.e., till 1998-99.

In the year 1995 when the new managing committee took charge action has been initiated for conduct of audit. Based on the audit reports and as per the reports available with the lead bank i.e. Canara bank action was initiated against the defaulters and dues were collected. It also so happened that the society had dues to some other institution for Rs. 1,32,931.20. This amount

was collected from ex-president and ex-secretary and remitted to the institutions. The lead bank i.e., Canara Bank did not sanction any Agricultural or Non- Agricultural Loans, due to the outstanding overdues of Rs. 1,70,928/-. The society after having negotiations with the bank, finally remitted Rs. 1,50,000/- and after that the society has come under the control of District Central Cooperative Bank (DCCB), Hyderabad (RR Dist.), from the financial year 1997-98.

The society has procured 1200 square yards of land from the Grampanchayat during 1984-85 and constructed a pucca building. Some portion of the building was rented out for Rs. 4500/-P.M. During the year 2001 the office building was demolished by the Revenue Authorities on account of road widening. And after that the present new building with a cost of Rs. 52.66 Lakhs has been constructed by obtaining loans from Aandhra Pradesh State Cooperative Bank (APCOB), Integrated Cooperative Development Project (ICDP) and DCCB, Hyderabad. Part of the building was rented out for Rs. 97,000/- P.M. since August, 2010.

(_**Note:**_ _An amount of Rs. 19,05,000/- being the subsidy received from APCOB and Hyderabad DCCB for construction of office building has been shown under liabilities during the year 2010-11 in the Audit Report. Otherwise, there will be a marginal loss of Rs. 3,35,488/-. The Society may get profits from 2011-12 since it is getting a huge amount of Rs. 97,000/- P.M. towards rent. (Ref.Table No.1))_

The accounts of the society were computerized from the financial year 2008-09 and one trained computer operator was employed to look after the computerization of accounts on day-to-day basis. The society has also started banking counter and also acquired Gold loan safe and sanctioned gold loans to a tune of Rs.20,80,500/- during 2011-12.

Findings and suggestions of the Social Audit

Following are the social audit observations. Suggestions were given for the benefit of the society based on the observations:

- ❖ **Age of the members:** The average age of the members of the PACS (Raidurg, Serilingampalli, RR District) is 48 years. It is suggested that the society shall look for young members so that the society will remain young. To come out of this issue the society shall take up youth participative programmes.

- ❖ **Members:** Out of 5390 members, only 460 members have paid the increased share capital of Rs.300/-. No action has been taken to remove the members who have not paid their increased share capital. There were death cases also for which no action was taken to remove them from the Members' list. It was found that the data base of members was not updated at regular intervals. Hence, it is suggested to update the database. Death cases shall be removed from the list and steps may be taken to identify the ineligible members and initiate action as per the rule in the General Body (Ref Table No.2).

- ❖ **Conditions to become members:**
  1. Any person who is in Possession of Agricultural Land or a person who is possessing Immovable property and or a person who is depending on agriculture

and allied activities or Artisans depending on handicrafts and cottage industries. A person is eligible to become members as per section 19 of Andhra Pradesh Cooperative Societies Act, 1964 and also shall not be in-eligible can be the member of the society.

2. Residing in the Area of Operation of the society
3. Major having sound mind
4. A person having land/immovable property outside the area of operation can also be a member of the PACS, Rayadurg, provided he shall not be the member of the PACS of different area of operation.

❖ **Refund the share capital:** The PACS, Raidurg, takes 15 days to refund the share capital if the members withdraw from the society. Following are the conditions framed by the PACS in their bye-laws. These are:

1. No member will be allowed to withdraw from the membership or to withdraw the share capital within one year from the date of his admission into the society. After completion of one year he can either resign his membership or he can withdraw his share capital subject to the condition that the member doesn't owe any loans to the society. Those persons cannot be eligible to become members again in the society within one year from the date of removal of membership. This condition shall not apply if the share capital pertains to Medium term and Long term loans.

2. A person who doesn't owe any loans to the society or in respect of surety holder to any member can resign from his membership by sending a letter by Registered post. It will come into effect after the same is approved by the Managing Committee.

3. The Society can also remove the membership of any person who shifted his family from the area of operation of the society or for any other reasons to become member of the society. Any amounts due from the member may be deducted from the share capital being refunded.

4. The share capital refunded or withdrawn from the society in a particular year should not be more than $1/3^{rd}$ of the total share capital as on 31st March of the preceding year.

❖ **Extent of Outreach:** It is found that the population in the area of operation of the society for the year 2010-11 was 2, 75,351. For the year 2010-11, the eligible members in the area of operation of the society were 1,92,500. During the year 2010-11 the membership of the society was 5390 only (including B class Members). It is clear that the society has lot of scope to increase its membership. In other words 97.2% of people in the area of operation of the society are still uncovered. During the social audit it was found that most of the members are from Janwada and Mirjaguda. It is suggested that the society has to take steps to increase the membership covering all the villages in the area of operation instead of clustering the membership to four or five villages (Ref Table No.3).

❖ **General Body:** It was found that the general body meeting was taking place regularly, two times in a year. It shows that the society is taking actions on the major policies of the

society. It was found that the total "A" class members are 465 and members participating in the General body are less than 50%. It shows that members were not taking interest in the affairs of the PACS or remaining members were not given communication about the general body. It was found from the social audit that the society was calling members over phone. It was doubtful that all members were invited for the general body. The society shall send SMS to the mobiles of the members without any cost. It shows that the PACS is not fully aware of this facility through information technology (Ref Table No.4).

❖ **Members in Good Standing (MIGS):** Following are the criteria in determining Members in Good Standing (MIGS)

1. Taking loans and prompt repayment on time.
2. Keeping deposits in the society
3. Purchase of Fertilizers from the society

It is found from the above table that in the PACS Raidurg there was 18.5% of the members were ineligible members i.e., who could not meet the minimum criteria of members in good standing. The society has to take minimum step to remove these members from the society. It was found that 98% of the members give importance to the general assembly. It indicates, the members show lot of interest towards general body. Board consists of representatives of the members of the society who take decisions of the society. Total members of the MC are 15 and out of that three were female members (Ref. Table No. 5, 6 and 7).

❖ **Performance of employees while dealing with the members:** In the process of democratic member control employees of the society sometimes control freedom of members. The treatment to the members would not be of owners rather employees own the society. Hence, every employee shall remember that members are the owners and owners shall be respected. The conduct and participation with the members shall be dutiful. This measure is to check the staff in relation to their jobs. It was found from the study that members perceive the performance of the employees as very good to the extent of 60%, only 2% as excellent and 38% as good. However, most of the members expressed their happiness towards the performance of the employees (Ref Table No.8).

❖ **Behaviour of the employees when dealing with the members:** It was found that 70% of the members expressed that the behavior of the employees of the PACS are very good while dealing with them (Ref Table No.9).

❖ **Efficiency in delivery of services of the employees of the PACS when dealing with the members:** It is found that 62% of the members expressed that employees are good in delivery of services to the members, 4% are excellent, 32% are very good and 2% are not good (Ref Table No.10).

❖ **Promotion of women in the activities of the society:** It was found that the women is getting 20% subsidy on SHG loans under ICDP and Cash credit loans for small scale

industries/Artisans. It is suggested that the PACS shall promote its own SHGs through which the women get easy loans as well as full recovery of loans also.

❖ **Contribution from the members to increase Share Capital:** It was found that in the year 2005 the PACS has increased the amount of share capital from Rs.200/- to 300/- and nearly 50% of members have not paid the increased amount and these members we shifted to B class membership (Ref Table No.11). It was found that the PACS has been deducting an amount 10% on the ST loans and 5% on LT Loans subject to a maximum of Rs. 10000/- on LT loans. It is suggested that the unpaid amount of increased Share Capital shall be collected from the existing members instead of shifting them as B class members.

❖ **Borrowing pattern of the members before becoming members:** It was found that the members of the society were taking the borrowings for the purpose of fertilizers/pesticides and other agriculture and allied activities from the private money lenders, RRBs and Commercial banks.

❖ **Linking Members to the society:** It was found that the society's employees were visiting the villages for collection of due at appropriate intervals, to supply fertilizers to the members on time, to conduct *Rytu Sadassulu* on Crop management etc. in association with Department of Agriculture. It is suggested that the society shall take up more activities to see that the members are linked to the society for more need based activities. It has to take up social upliftment activities, implementation of government schemes; health related activities and women development activities so that members will show lot of interest than earlier.

❖ **Rate of interest on loans:** It was found that 98% of the respondents have opined that the loans given to the members by the PACS, Raidurg, were lesser than the interest rates offered by the other banks. It shows that the PACS was conscious about the interest rates prevailing in the market and suggested that the PACS shall try to arrange loans in the same manner for all the members instead of some members (Ref Table No.12).

❖ **Rate of interest on deposits:** It was found that 78% of the respondents felt that the interest rates on deposits offered by the PACS were more when compared to the other banks. Only 11% of the respondents opined that the interest rates on deposits were lesser than that of other banks. It is clarified that generally, the rate of interest on the deposits would be 0.5% more than any other nationalized banks. 11% members' perception might be different as they might have perceived that the interest rates on deposits offered by the private banks or RRBs. However, the PACS may think about the rate of interest on deposits (Ref Table No.13).

❖ **Availability of required services:** It was found from the above table that only 2% respondents opined as excellent the availability of services from PACS Raidurg, 20% as very good and 78% as good. It shows that lot of services need to be provided by the PACS to the members. The need assessment of the services has to be taken up the PACS

for the benefit of the members. The respondents want new branches and input business such as pesticides etc (Ref Table No.14).

❖ **Practices of the Society with its clients:** It was found that the PACS has been adhering practices such as issue of demand notices regularly, sending teams for collection of dues to the villages, issue of receipts on the spot, transfer of member deposits to their SB A/Cs on closure, distribution of small gifts to the members etc. These practices definitely have positive impact on the members and credibility of the PACS. However, it shall benchmark some more such practices which shall be useful for the development of the business and for the benefit of the members.

❖ **ST and LT credit limits:** During the conduct of social audit it was found that the members have demanded for enhancement of ST and LT credit limits and at the same time the Loan sanctions shall be at right time both for ST and LT. It was felt by the members that the present crop loan limit is   Rs. 50,000/-. The society was sanctioning Rs. 50,000/- only after keeping the land documents and pass book with the society for the land of 2 acre. The members requested to the PACS that the loan be increased to Rs. 1,00,000/-. Most of the members are going for the private lenders who provide loans without much trouble but the rate of interest would be high.

❖ **Branch expansion:** During the Audit, members of the PACS requested to open a branch at Janwada, Shankarpalle mandal, as major membership is at Janwada, since members are facing difficulty to go to Society office at Hyderabad for depositing money available with them, timely supply of fertilizers and sanction of loan at right time and to make repayment of loans. If the society decides not to open branch, it shall at least go for mobile banking operations.

❖ **Fertilizers:** It was found that the fertilizer supplied by the society was not at the right time. Hence, the members are facing problems. It was requested by them that the society shall supply fertilizers well before the season starts.

❖ **Crop insurance:** It was found during the social audit study that the members want the scheme of crop insurance be introduced by the society for crop damages and reimbursement in case of crop damages.

❖ **Seeds and pesticides:** During the social Audit it was requested by the members to start supply of seeds and pesticides to them.

❖ **Net profit, NPAs, Loans and Advances:** It was found that the society is able to gain gross profit, whereas the society is incurring continuous net losses. The Position of the net losses was not only heavy but also continuously, which is an alarming factor. The NPAs are increasing year by year i.e., from 4.29% during the year 2006-07 to 18.29% during the year 2010-11. It was also found that the overdue of the society are increasing very steeply. From the above graphs it could be seen that the loans and advances are increasing the overdues and NPA also. It shows that there shall be proper monitoring on the lending, maintenance of the assets, regular checkups and supervision (Ref Table No.15).

❖ **Activities taken up to increase income generation:**
1. Gold loans issued to a level of Rs. 20,80,500/- during the year 2011-12.
2. Construction of Office building with Rs. 52.66 lakhs and rented portion of the building for Rs. 97,000/- PM since August, 2010.

   Note: An amount of Rs. 19,05,000/- being the subsidy received from APCOB & DCCB has been shown under liabilities during the year 2010-11 in the Audit report.

❖ **Member Education Programmes (MEPs):** The society was providing the member education programmes with the help of cooperative training Institute, AP State Cooperative Union, PACS Raidurg itself was conducting the MEPs. It was found that only 10% of the members were given member education programmes. It was also found that 96% of the members felt that member ship development programmes were not conducted. It shows that proper communication was not sent to the members. It is suggested that the society has to educate its members on cooperation so that they will understand importance of cooperative society, the role of the member, what happens if the member won't show the patronage to the society (Ref Table No.16 and17).

❖ **Training programmes for the Board of Directors:** Training to the board of directors plays an important role in the decision making. The directors' knowledge and acumen in decision correlates with the performance of the society. It was found that few directors were trained every year. It is suggested that the PACS shall arrange leadership development programmes and decision-making programmes for the advantage of all the board of directors of the society (Ref Table No.18).

❖ **Dissemination of activities of the society to the members:** The society disseminates the information on the activities of the society to its members through pamphlets, Tom-tom, News paper advertisements, telephone messages, etc.

❖ **Economic participation in other Co-ops:** The society invested Rs.10.5 Lakhs as share capital in the District Cooperative Marketing Society, Ranga Reddy District worth Rs.10.5 Lakhs.

❖ **Support to Federation/apex organization:** The PACS Raidurg was supporting the DCCB by collecting deposits on behalf of DCCB Rs 91,762/- (as on 31-03-2011). The PACS was making repayment of loans on time.

❖ **Patronage by PACS to federation/apex organizations:** The PACS, Raidurg, was procuring goods from various apex organizations and selling to its members at rate lower than the market rates. The society has been purchasing fertilizers from AP Markfed, IFFCO, KRIBHCO, Note books and seeds from HACA and Agriculture implements through Agriculture Department.

❖ **Image of Leadership:** The society under the guidance and supervision of Sri B.K. Raghava Reddy collected the 100% dues from members and remitted to the bank in full

during the years 1997-98 and 1998-99. The then Hon'ble Chief Minister Sri Nara Chandra Babu Naidu has presented a memento and appreciation letter to the president of the society on 25-04-99 at Hyderabad. During 2005 elections Sri B.K. Raghava Reddy was again elected as president of the society. He was the person who has been successfully elected as president of the society since 1995. He was also been elected as president of Hyderabad DCCB Ltd., in 2005 and director of APCOB Ltd. He has been awarded as "Visishta Sahakara Vadi" by the Government of Andhra Pradesh and received the award on 13-11-2004 from the then Hon'ble Chief Minister Sri Y.S. Raja Sekhar Reddy. He was also awarded as "Sahakara Ratna" on 28-02-2008.

❖ **Activities taken up as a principle of concern for community:**
1. The Society has distributed plants to the farmers at Janwada Village.
2. Except Agricultural Credit and supply of fertilizers to member farmers, the society has not taken up any activity to market the brand name of your society.
3. The society has established Reliance milk booth at Janwada village for the benefit of members and non-members.
4. The society has conducted free medical camp at society's office in collaboration with MEDPLUS.

The society has not taken up any Community infrastructure projects facilitation (for example: construction of bridge, pond, water supply, school building or any other event). The society has not conducted any Cultural, sports and value enhancement programs for the people living in the area of operation. The society has not conducted any institutional gender-specific programs i.e., HIV/AIDS, Family planning programmes, social awareness programmes, etc.

❖ **Human Resources:** The Society has total four employees with commitment, job satisfaction and teamwork. Every employee is free from BP or Sugar. It shows good health. They are not happy with the salaries. Except salaries, there is no other allowance or benefits to the employees. There is no practice to write any annual confidential reports on employees to measure performance. Even further there is no service record. It is found that the 52% employees of the society are moderately ethical, 44% are highly ethical and only 4% ethically low. It shows that some of the members have experienced from some of the employees. It was also found in the social audit that employees have to be pleased to get the loan sanctioned. Hence, it is suggested that all employees at every level have to behave in a cooperative and professionally way by following values and ethics (Ref Table No. 19 and 20).

❖ **General Observations:**

1. It was found that there is no empirical evidence about the statutory obligation or rules or Acts on Social Audit for Cooperative societies in India, whereas, in Philippines there is an Act and Rules drawn for the cooperatives on Social Audit. Hence, it is recommended that Andhra Pradesh shall bring certain provisions in the cooperative act and rules for social audit to curb corruptions in the societies.

Social audit shall not be taken in the negative sense rather it increases the credibility of the cooperatives who really work for its members.

2. It is suggested that Provisions of Social Audit shall be made compulsory in the AP Mutually aided Act 1995 where government control in not there. Introduction of social audit prevents financial misappropriations, frauds, sole monarchism of President or dummy board of directors as seen in the urban banks in the past, credit cooperatives, name sake women societies (actually run by male), etc.

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. **Table No.1**
Comparative Statement showing economic status
of PACS, Rayadurg from 1983-84 to 2010-11

S.NO.	Description	1983-84	1987-88	1999-2000	2010-11
1	Total membership	1380	4750	5201	5390
2	Share Capital	-	24430	825000	1348540

| 3 | Loans Issued to Members | - | - | 9050000 | 12007439 |
| 4 | Profit/Loss | (-)180000 | (-) 412926 | (+)120000 | (-)2240488 |

Table No.2: Percentage of Female members when compared with Total Membership

Years	Male	Female	Total	% of Female members when compared with Total Membership
2006-07	4730	626	5356	11.69
2007-08	4730	626	5356	11.69
2008-09	4737	628	5365	11.71
2009-10	4737	628	5365	11.71
2010-11	4757	633	5390	11.74

Table No.3: Total Population in the area of operation of the PACS

Years	Male	Female	Total
2006-07	93306	92822	186128
2007-08	100543	100421	200964
2008-09	105104	105567	210671
2009-10	124331	127044	251375
2010-11	135611	139740	275351

Table No.4: Number Members attended in General Body Meetings

Years	Number of general Body Meetings held	Number Members attended in General Body Meetings			
		Male	Women	Total	Ratio for every women
2006-07	2	200	28	228	1: 7.14
2007-08	2	190	17	207	1: 11.18

2008-09	2	159	35	194	1 : 4.54
2009-10	2	173	45	218	1 : 3.84
2010-11	2	178	35	213	1 : 5.09

Table No.5: Percentage of MIGS to total membership

Years	No. of eligible members	No. of ineligible members	Total	% of ineligible members in the society	% of eligible members in the society
2006-07	330	75	405	18.5	81.5
2007-08	350	80	430	18.6	81.4
2008-09	340	95	435	21.8	78.2
2009-10	350	85	435	19.5	80.5
2010-11	375	85	460	18.5	81.5

Table No.6: Importance to General Assembly

S.No	Response	No. of Responses	% of Response
A	Yes	49	98%
B	No	1	2%

Table No.7: Board Members

Years	Male	Female	Total
2006-07	12	3	15
2007-08	12	3	15
2008-09	12	3	15
2009-10	12	3	15

2010-11	12	3	15

Table No.8: Member's perception on the performance, participation and conduct of the officers

S.No	Response	No. of Responses	% of Response
A	Excellent	1	2%
B	Very good	30	60%
C	Good	18	36%
D	not good	1	2%

Table No. 9: Perception of Members about the Behaviour of employees when dealing with members

S.No	Response	No. of Responses	% of Response about Behaviour of Employees
A	Excellent	1	2%
B	Very good	35	70%
C	Good	13	26%
D	not good	1	2%

Table No. 10: Perception of Members about efficiency in delivery of services

S.No	Response	No. of Responses	% of response on efficiency in delivery of services
A	Excellent	2	4%
B	Very good	16	32%
C	Good	31	62%
D	Not good	1	2%

Table No. 11: Number of Members and Share Capital

Years	No. of Members	Share Capital in Rs.
2006-07	5356	8,47,260
2007-08	5356	9,37,770
2008-09	5365	10,25,230
2009-10	5365	13,03,325
2010-11	5390	13,48,540

Table No. 12: Perception of Members on rate of interest on loans

S.No	Response	No. of Responses	% of Response
A	Lesser when compared to the other banks	49	98%
B	Equal or same when compared to the other bank	0	0%
C	More when compared to the other banks	1	2%

Table No. 13: Perception of Members on the rate of interest on deposits

S.No	Response	No. of Responses	% of Response
A	Lesser when compared to the other banks	11	11%
B	Equal or same when compared to the other bank	0	0%
C	More when compared to the other banks	39	78%

**Table No. 14: Perception of the members on
Availability of required services from the society**

S.No	Response	No. of Responses	% of Response
A	Excellent	1	2%
B	Very good	10	20%
C	Good	39	78%
D	Not good	0	0%

.

**Table No.15: Statement showing Gross and Net Profit/Loss,
NPA, Overdues, Loans and Advances**

Years	Gross Profit(+)/ Loss (-) (in Rs.)	Net Profit (+)/ Loss (-) (in Rs.)	NPA%	Overdues (in Rs.)	Loans and Advances (in Rs.)
2006-07	Nil	-482700	4.29	414326	9654963
2007-08	Nil	-863610	5.31	515867	9711385
2008-09	+ 329	-972701	8.68	705256	8123316

| 2009-10 | +2800 | -2147639 | 14.57 | 1562566 | 10721353 |
| 2010-11 | +8906 | -2240488 | 18.26 | 2192125 | 12007439 |

Table No.16: Conduct of MEPs

Years	No. of Prog conducted	No. of Members trained	Who conducted the MEPs
2006-07	1	35	CTI
2007-08	3	70	CTI, APS Coop. Union
2008-09	2	50	CTI, DCCB, Agriculture Dept.
2009-10	2	45	PACS, Agriculture Dept.
2010-11	1	40	PACS, DCCB

Table No. 17: Perception of the members on MEPs

S.No	Response	No. of Responses	% of Responses N=50
A	Regularly conducting member education programmes	0	
B	Rarely conducting member education programmes	2	4%
C	Not at all conducting member education programmes	48	96%

Table No. 18: Training Programmes for Board of Directors

Years	No. of Prog. conducted	No. of Board Members trained	Who conducted
2006-07	2	3	**CTI**
2007-08	2	4	**CTI**
2008-09	1	2	**CTI**
2009-10	5	4	**NABARD, APCOB, DCCB**
2010-11	3	5	**NABARD, APCOB, DCCB**

Table No. 19: Human Resource profile

S.No	Name of the employee	Designation	Year of posting	Gross salary (Rs.PM)
1	Sudhakar	CEO	1996	10,218
2	B. Gopal	Manager	1998	10,218
3	B. Swarnalatha	Computer Operator	2011	4,000
4	D. Ramalakshamma	Attender	2010	1,500

Table No. 20: Member's Perception regarding work ethics of employees

S.No	Response	No. of Respondents	% of Respondents on work ethics of employees
A	Very High level	0	0
B	High Level	22	44%
C	Moderate level	26	52%
D	Low level	2	4%
(N=50)		50	100%

Annexure 1

Republic Act 9520 – Philippines

(Also known as the Cooperative Code of 2008)

RULE 11
SOCIAL AUDIT OF COOPERATIVE

Section 1 Legal *Basis:* The legal basis for this Rule is Art. 80, paragraph 4, 5 and 6 of the Code, quoted as follows:

"Art. 80. *Annual Audit.* - Cooperatives registered under this Code shall be subject to an annual financial, performance and social audit."

"The social audit shall be conducted by an independent social auditor accredited by the Authority."

"The Authority in consultation with the cooperative sector, shall promulgated the rules and standards for the social audit of cooperatives."

Section 2 Coverage*:* All registered cooperatives regardless of types and categories shall be subject to social audit.

Section 3 Social *Audi:* It is a procedure where the cooperative assesses its social impact and ethical performance vis-à-vis its stated mission, vision, goals and code of social responsibility. It is a process to assess the cooperative's contribution for the upliftment of the status not only to its members' economic needs but also social needs and the community where it operates. The cooperative's actual performance and accomplishment are compared to its vision, goals, and social responsibility as it relates to the impact not only to the community but to its regular members as the immediate beneficiary of the decisions and actions it promulgated, passed and implemented. Social Audit will serve as control mechanism to account for its social performance and evaluate its impact in the community taking into account the community development fund which shall be used for projects or activities that will benefit the community where the cooperative operates.

Section 4 Objectives*/Uses of Social Audit:* Social Audit validates the support of the cooperative to the seventh cooperative principles on the "Concern Community" and determines whether the cooperative work for the community's sustainable development through policies approved by their members. The audit focuses not only to the economic side of the cooperative but also the social aspect of the organization and appraises the cooperative performance as value based organization usually participative, user and community oriented and non-profit but service organization and how its social responsibility for its members and the community as a whole was fulfilled. Social Auditing is the systematic review of the attitudes, values, behavior, and degree of interaction of people within the cooperative as well as the policies, programs and activities being implemented by the cooperative.

Section 5 Components *and Social Audit Indicators:* The Social Audit of the cooperative shall consist of but not limited to the following major components/categories with its objectives:

1. *Membership:* To determine the effectiveness of the cooperative in meeting the needs of its members vis-à-vis the socio-economic upliftment and empowerment of the members.
2. *Assets building:* To determine the cooperatives' performance in building up its economic capacity to respond to its social responsibility and development income generating undertakings for its members.
3. *Community Involvement and Solidarity:* To determine the degree of community, social, environmental involvement and solidarity of the cooperative. In relation to

4. *Information accessing and dissemination:* To determine the capability of the cooperative to access, process and disseminate information from/to its members and community. It looks into the function of the organization as an empowering and responsive mechanism.

5. *Gender, Youth, Elderly, Children, and Persons with Disability:* To determine how the cooperative has contributed in the social capital development for the welfare of the youth, the elderly, children, and persons with disability and the promotion of the gender fair culture and practices.

6. *Leadership and Organizational Management:* To highlight the attributes of the leaders/officers of the cooperative and efficiency in managing the affairs of the organization as it relates with its members and with government.

Section 6 *Social Audit Manual:* The Authority shall develop a Social Audit Manual that will be used for the purpose.

Section 7 *Applicability:* All registered cooperatives shall submit to the Authority the Annual social Audit Report as conducted by an Independent Social Auditor accredited by the Authority.

Section 8 *Sanctions:* The failure of the cooperatives to the Authority of the required Social Audit Report conducted by the Accredited Independent Social Auditor shall mean non-compliance with the required reports and will be meted with corresponding penalties in accordance with R.A. 9520.

Section 9 *Transitory Period:* All cooperative are hereby given two (2) years from effectivity of this Rule to comply with the Social Audit Requirements as provided above.

CHAPTER XIX
FINAL PROVISIONS
"ART. 140. *Penal Provisions*

"(6) The following are considered offenses punishable by a penalty of imprisonment of not less than one (1) year nor more than five (5) years or a fine of not more than Fifty thousand pesos (P50,000) or both at the discretion of the court:

"(a) Omission or refusal to furnish any information, report or other document that is required under this Code;

"(b) Providing information, reports or other documents to the Authority that are required under this Code which the person knows to be false or misleading;

"(c) Omission or refusal to keep a book or register under this Code or to make the required entry therein;

"(d) Making an entry required under this Code in a book or register, which the person knows to be false or misleading;

"(e) Hindering an authorized person from making an inspection, audit, examination or investigation required under this Code;

"(f) Failure to comply with an order or written instructions issued or given by the Authority;

"(g) Violation of the provisions regarding transactions with a restricted party; and

"(h) Abetting, counseling, allowing, authorizing or commanding another person to commit an offense punishable by this Code: *Provided*, that in case the violator is a cooperative or juridical person, the penalty shall be imposed on its directors and officers.

***

Annexure 2

Questionnaire One

Member's Perception

Name of the Member:…… ………… ……………..Name of the Village……………………

DMC1: Do you give Importance of General Assembly

A. Yes   B. No

If No explain the reasons…………………………………………..

DMC2: Do you participate in the affairs of the PACS

   A. Always   B. Often   C. Sometimes   D. Never

DMC3: How do you rate the Performance of employees of the PACS when dealing with the members?

   A. Excellent   B. Very good   C. Good   D. not good

DMC4: How do you rate the Behaviour of the of employees of the PACS when dealing with the members

A. Excellent   B.Very good   C.Good   D.Not good

DMC5: How do you rate the efficiency in delivery of services of the of employees of the PACS when dealing with the members

A. Excellent   B.Very good   C.Good   D.Not good

DMC6: When you (Member of the PACS) go with a complaint to the PACS office, what were the reactions of the employees

…………………………………….

…………………………………….

…………………………………….

…………………………………..

MEP1: How do you feel the **rate of interest on loans** when compared to the interest rates in the market?

   A. Lesser when compared to the other banks

   B. Equal or same when compared to the other bank

   C. More when compared to the other banks

MEP2: How do you feel the **rate of interest on your deposits** when compared to the interest rates in the market?

   A. Lesser when compared to the other banks   B. Equal or same when compared to the other bank   C. More when compared to the other banks

MEP3: As a member of the society how do you rate about the **availability of required services** from the society?

   A. Excellent   B. Very good   C. Good   D.Not good

ETI1: How do you feel about the society's concern about the member education programmes?

   A. Regularly conducting the member education programmes

   B. Rarely conducting the member education programmes

   C. Not at all conducting the member education programmes

CC1: How do you rate the work ethics of Staff of PACS?
   A. Very High level   B. High Level C. Moderate level D. Low level

General:

1. As a member of the society; how do you feel about the governance of the society?

2. Do you feel that loans are given to the member at right time and right quantity?

3. Do bring improvement in working of the society suggest measures to be taken-up by the society?

4. Have offered any bribe to any of the employees or board of Directors to get your loan sanctioned

5. What is the percentage of the loan you have given to get loan?

6. How collect the bribe – whether employees of the society or the Board of Management

***

Annexure 3

Study on Social Audit: Society Schedule

1	Name and Address of the society with pin code	
2	Name and Mobile No. of the Secretary	
A 1st Principle: Voluntary and Open Membership		
A1.	Database of members	
A2	Average Age of	

	Members			
A3	Sex of Members			
		Years	Male	Female	Total
		2006-07			
		2007-08			
		2008-09			
		2009-10			
		2010-11			
A4	Area of Operation of the society(No. of Villages covered and their name)			
A5	Total population in the area of operation of the society			
		Years	Male	Female	Total
		2006-07			
		2007-08			
		2008-09			
		2009-10			
		2010-11			
A6	What are the Conditions to become members			
A7	How many days society takes refund the share capital if the member withdraw from the society(mention no. of days			

B. 2nd Principle: Democratic Member Control

B1	Number of general Body Meetings held		
		Years	Number of general Body Meetings held
		2006-07	
		2007-08	
		2008-09	
		2009-10	
		2010-11	

B2	Number Members attended in General Body Meetings			
	Years	Male	Female	Total
	2006-07			
	2007-08			
	2008-09			
	2009-10			
	2010-11			

B3	Number Members participated in voting in General Body Meetings			
	Years	Male	Female	Total
	2006-07			
	2007-08			
	2008-09			
	2009-10			

2010-11	

B4	What are the Criteria in determining Members in Good Standing (MIGS)? (MIGS = Member who gives business to society either in the form of Deposits/Loans given to members and who really repay with interest/Borrowings given to the society. In other words who shows patronage to the society)

B5	Percentage of MIGS to total membership			
	Years	No. of eligible members	No. of ineligible members	Total
	2006-07			
	2007-08			
	2008-09			
	2009-10			
	2010-11			

B6	Number of Board Meetings held		
		Years	No. of eligible members
		2006-07	
		2007-08	
		2008-09	
		2009-10	
		2010-11	
B7	Number Members in the Board Meetings			
	Years	Male	Female	Total
	2006-07			
	2007-08			
	2008-09			
	2009-10			
	2010-11			
B8	How the society send information to the members regarding the decisions taken by the Management Committee?			
B9	What are the provisions that your society has made for the promotion of women in the activities of the society?			

C 3rd Principle: Member Economic Participation	
C1	What are the provisions that your society has made for the promotion of women in the activities of the society?
C2	What is the mechanism of the society to get the contribution from the members to increase the Share Capital?

Years	No. of Members	Share Capital in Rs.
2006-07		
2007-08		

2008-09		
2009-10		
2010-11		

C3	What is the mechanism of the society to get more deposits from the members?

Years	No. of Members	Deposits (Rs.)
2006-07		
2007-08		
2008-09		
2009-10		
2010-11		

C4	What is the borrowing pattern of the members before becoming members?
C5	What is the Programmes/activities of the society to serve the members?

D 4th Principle: Autonomy and Independence

D1	What are the steps taken by the society to strengthen the capital of the society

D2	What are the steps taken by the society to strengthen the capital of the society

D3	List out the activities taken up to increase the Number of income generating

D4	**Profit/Loss, Business etc**				
Years	Gross Profit(+)/ Loss(-) (in Rs.)	Net Profit (+)/ Loss(-)(in Rs.)	NPA%	Overdues (in Rs.)	Loans and Advances (in Rs.)
2006-07					
2007-08					
2008-09					
2009-10					
2010-11					

D5	Compliance with government rules and regulations? Any violation of rules of APCS Act?

E. 5th Principles: Education, Training and Information					
E1	**Member Education Programmes(MEPs)**				
Years	No. of Prog conducted	No. of Members trained	Dates of the prog if conducted	Who conducted the MEPs	If not conducted explain reasons
2006-07					
2007-08					
2008-09					
2009-10					

2010-11					

E2	**Training programmes for the Board of Directors**				
Years	No. of Prog conducted	No. of Board Members trained	Dates of the prog if conducted	Who conducted	If not conducted explain reasons
2006-07					
2007-08					
2008-09					
2009-10					
2010-11					

E3	Whether the society conducted any youth development programs? If so give details
E4	How do you disseminate of important co-operative information (activities of the society) to the members?
E5	What is the Media of communication to disseminate information?
F. 6th Principle: Cooperation among Cooperatives	
F1	Economic participation in other Co-ops (Example: as share capital /investments etc) by the society
F2	What is the active support to federation/apex organization by the society
F3	Whether the society has anything partnership, cooperation, and/or alliances (business or otherwise) with other co-operatives etc
F4	Whether the society has any Participation in the cooperative federation/union activities/programs
F5	Whether society has any patronage of federation/apex organizations' services
F6	From your society whether President/board members are elected or nominated in any where post in DCCBs/State Cooperative Bank
G. 7th Principle: Concern for Community	
G1	Environment protection programs and activities if any? (Example planting trees/cleaning the local areas/ banning use of plastic etc)
G2	Community infrastructure projects facilitation(for example: construction of bridge, pond, water supply, school building or any other event)
G3	Mention advocacy and education on social development taken up by the society for the common public as well as for the members
G4	What area the practices adopted by the society to market the brand name of your society? So that people always remember the name of the society.
G5	What are the Co-op practices in its dealings with its clients?
G6	Whether the society has conducted any Cultural, sports and value enhancement programs? If so give details.
G7	Whether the society has participated in local governance programs? If so give details(HIV/AIDS, Family planning programmes, social awareness programmes etc)
G8	Whether the society has conducted any institutional gender-specific programs that were implemented in the last two years? If so give details.

The Co-operative Society's Staff				
1. Human Resource profile				
S.No	Name of the employee	Designation	Year of posting	Gross salary
2	Whether employee area committed to Vision Mission and Goals of the Society (VMG)?			
3	Whether employees have job satisfaction?			
4	Whether Staff works in a team?			
5	Because of office work whether any employee affected to health such as BP/Sugar etc.			
6	Is there any practice of writing Annual Confidential Report of employees?			
7	Whether employees' annual confidential reports are written in relation with performance?			
8	Whether employees are happy with the remuneration?			
9	Whether employees are happy with the any benefits?			

Documents to be attached to this schedule:
1. Bye laws of the society
2. 5 years Audit Reports
3. Detailed history / Story of the society
4. Latest Business Development Plan
5. Sample format of annual confidential reports of all employees

Thank you sir, for sparing your valuable time and for providing the data.

Planning Turnaround Strategies - A Case study of Indalwai PACS

*H.S.K.Tangirala

The overall goal of any cooperative organisation is to see that the cooperative provides services to the utmost satisfaction levels of the members through overall development of the society. If the society has good infrastructure, patronised members and effective management of resources, then the cooperative can extend its services to the all the members timely. But many a societies are not in a position to reach to these factors. Perhaps, it is a paradox ....that all the cooperatives perform on similar lines all the time. The cooperatives are underperforming, distressed, business is down. The causes are fenced by political, economic, social, technological, legal and environment (PESTLE) factors as a whole. External factors always are not under the control of cooperatives, whereas the cooperatives have to address the internal factors to bring turnaround.

The turnaround for the cooperatives is required to bring durable and consistent improvement in the performance, the trend of the financial results from down to up, from not good to clearly better, from under achieving to acceptable and from losing to winning the success in business. The cooperatives, after implementation of vaidyanathan committee recommendations, have to develop good governance practices, business transformation philosophies, new dimension to the scope of the business and revitalising the management in a changing business environment without losing the cooperative values. The turnaround strategies have to enhance revenues, bring about cost reductions, new business avenues, non-fund businesses and related diversification activities with a new outlook.   Thinking on these lines a study was conducted to plan a turnaround strategy for Indalwai PACS which is a loss making PACS.

Objectives of the Study:
Following are the objectives of the study:
1. to study the activities and financial position of the society
2. to formulate a strategy and suggest measures to turnaround the Indalwai PACS, Dichpally Mandal, Nizamabad district in Andhra Pradesh.

Methodology of the study:
To achieve the objectives of study data was collected through:
1) Secondary source i.e., from published annual reports for the period 2000 to 2010 and
2) Primary source i.e., detailed discussions with the people of the society.

Area of Operation: The PACS Indalwai (registered No.T.J.56) was registered on 23rd July 1957 and started its business from 23rd July 1957. The area of operation of the society consists of four villages, namely, Indalwai, Gannaram, Chandrayan pally and Triyambakpet. These four villages come under Dichpally Mandal of Nizamabad District. The Indalwai village, where the PACS is located, is 12 KM away from Dichpally Mandal Head quarter.

Irrigation facilities: Irrigation facilities are essential for cultivation. Out of four villages two villages i.e., Indalwai village has one tank and nearly 440 acres of land is under cultivation. One tank is there for Gannaram village, where nearly 250 acres of land is

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*Director, Udaybhansinhji Regional Institute of Cooperative Management.

under cultivation. Chandrayanapally has a tank and there is water scarcity prevailing. Hence the villages are depending on borewells and rainfall.

Table No. 1: Demographic Data				
	Indalwai	Gannaram	Chandrayan pally and Thriambakpet	Total
Area of Operation	1100 Acres	3000 Acres	1200 Acres	5300 Acres
Cultivation Area	540 Acres	2400 Acres	1100 Acres	4040 Acres
Non-cultivated Area	460 Acres	600 Acres	100 Acres	1160 Acres
Total Population	5250	11000	3900	20150
Male	2573	5310	1911	9794
Female	2677	5690	1989	10356

Management: The society is managed by 13 elected members of Board of Directors (including President). The period of the board is from 22.10.2005 to 21.10.2010.

Organisational Structure: At present only three employees are working in the society with full capacity as shown in the organisational chart. The society will increase its manpower if the activities and operations of the society are enhanced in future.

Members of the Society (1978)

↓

Board of Directors (including President) (13)

↓

Secretary (1)

↓

Clerk (1)

↓

Attendant (1)
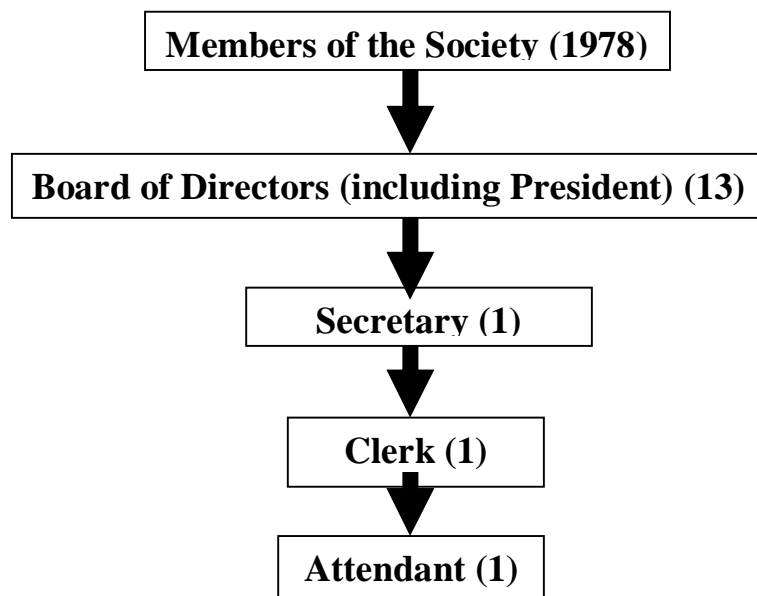
Infrastructure: The society has its own office building and has two godowns with the capacity of 100 MT and 250 MT. The third godown's construction is in process at Gannaram Village with the capacity of 250 MTs.

Share Capital: There is a vast difference between the share capital raised by joint stock companies and the cooperatives. Cooperative shares cannot be acquired by any individual unless a person is duly admitted as a member as per the byelaws and as per the law of the State concerned one cannot acquire shares in a cooperative society.

In   order to get services from a cooperative society one should invariably become a member of the society. One cannot become member unless he or she pays the requisite share capital. The byelaws of each society prescribe the value of each share and the maximum amount of share capital that the society is authorized to raise. This is called authorized share capital of the society; within this authorized limit the society

collects share capital from each member. The share capital so collected from members is called "paid-up share capital" of the society.

Cooperative laws prohibit non members to get services from cooperative societies. That, services offered by the society as per its objectives mentioned in its byelaws shall be available to members only. Again, the quantum of services to which each member is eligible is linked to the quantum of share capital paid by each member. This is called 'Individual Maximum credit limit'. The individual maximum credit limit is expressed in terms of so many times of the paid up share capital of the members. For instance, to be eligible for a loan of one thousand rupees a member should pay one hundred rupees as paid up share capital.

In other words, the individual maximum credit limit here is ten times the paid up share capital of each member. The maximum eligibility for each class or type of loan that can be sanctioned to each member shall be subject to the individual maximum credit limit. The individual maximum credit limit may differ for a variety of services availed by a member as prescribed in the byelaws of the society. Thus, for secured loans and unsecured loans there may be different limits.

Partly paid value of a share is not termed as share capital, according to the law and the byelaws. If the value of each share is ten rupees, the Paid-up share capital should be in the multiples of ten rupees. Along with the share capital, entrance fees at the rates prescribed in the byelaws shall also be collected. Entrance fees should not be clubbed with paid-up share capital in the accounts. While paid-up share capital is a liability of the society, entrance fees form part of income of the society. However, some societies carry entrance fee to a separate fund account, if the byelaws so stipulate.

Under most of the State cooperative laws a system of admitting associate or nominal members is prescribed by collecting a nominal amount as share capital from them. This type of share capital is usually termed as 'B' class share capital. In such a case, the value of 'B' class share capital and the authorized limit is also mentioned in the byelaws of the society. Associate or nominal membership is very useful to those persons who seek emergency instant credit from the society as occasional borrowers, those who join the borrower as co-executants in the interests of the society and those who stand surety to the principal of borrowers. A large number of poor and lower middle class persons seek instant gold loans against trust securities from credit cooperatives.

Table No. 2: Share Capital (Rs. in Lakhs)				
Year	Opening Balance	Share Capital received	Share Capital returned	Balance	Growth rate(in %) over the previous year
2000-01	8.94	2.91	0.10	11.75	-
2001-02	11.75	2.37	0.28	13.84	17.79
2002-03	13.84	0.10	0.36	11.58	-16.33
2003-04	13.58	0.13	1.18	12.53	8.20
2004-05	12.53	0.52	0.63	12.42	-0.88
2005-06	12.42	0.97	0.08	13.31	7.17
2006-07	13.31	1.09	0.10	14.3	7.44
2007-08	14.3	0.78	0.35	14.73	3.01
2008-09	14.73	2.79	0.85	16.67	13.17
2009-10	16.67	6.31	0.15	32.83	36.96

It was found that the society has good membership of 1978 and there is scope for increasing the membership. The share value is Rs.10 and the management has decided to increase the share capital to the extent of Rs.300/-. This decision took

place in the year 2005 but could not be implemented. It is suggested that the share capital has to be increased to raise the working capital of the PACS.

Membership: The success of a cooperative society depends upon the members and their management. If the members are enlightened and the Managing Committee is competent and honest then certainly the society will progress and march ahead. Enlightened membership means that the members in the society are aware of their rights and duties.

Indeed, the existence of members is one of the major differences between cooperatives and any other type of enterprise. Members are, at the same time, the basis and justification of cooperative enterprises. This issue deserves specific and educational communication efforts. If all members have the same voting right in the cooperative's general meeting, this feature imposes an obligation to communicate and explain the place of member in this original system. Members thus exercise a major influence on the governance systems, as they elect from among their number the local and national representatives.

Many pressing questions must then be answered: is the information that is provided in annual reports always sufficient in order to respond to their challenge? Do the communication efforts made in the annual reports reflect the intent to adopt educational approach vis-à-vis members?

Cooperatives are based on their members' equal participation in corporate governance, as shown in the "one man, one vote" principle. Far from being anecdotal, this principle emphasises the fact that all decision-making and control systems are based on members' involvement in the organisation. This is shown by the election of members to the local, regional and national boards. Members are, at the same time, shareholders and clients of this organisation in which they may be elected to the positions of directorships, in most cases without receiving any compensation.

The active role of members in the decision-making process, immediately at the local level of the organisation, facilitates enhanced awareness and factoring in of local expectations. Members have the merit of relying on specific expertise as the products and services are intended for them. This is one of the arguments most frequently stated in annual reports. Members, who play a major role in cooperative PACS, which are generally not centralised, are also responsible for promoting their cooperative PACS locally. As their cooperative PACS creates a genuine economic and social plus on a given territory (PACS call this "Cooperative Dividend"), members and local directors must convey cooperative actions within the local community. This local rooting turns local directors into the cooperative PACS's "ambassadors".

Historically, cooperatives were created when individuals decided to pool their resources in order to meet a collective requirement. Therefore, Cooperatives are a tool owned by their members who accordingly decide on its use. The link is thus expressly stated and cooperatives are actually owned by members who are not "*typical shareholders*".

The cooperative form makes it possible to maintain stability over time. Certain organisations, such as the Raiffeisen Group in Switzerland, created a link between the cooperative structure and sustainable development as if both notions were guided by the same logic. This system actually works in so far as members are asked to become involved in the cooperative. Annual reports expressly do this and may emphasise that members are locally committed players and that this commitment, that many be dedicated by a sense of duty, takes the form of a solemn undertaking through the moral adoption of a charter. Members must then display human qualities, such as solidarity, altruism and professionalism (they must undergo a training programme when they hold the office of director).

Other cooperatives also give members a strategic dimension. The membership system deserves to be addressed by a strategy planned overtime, in the same manner as, for example, the notion of corporate social responsibility. The membership system, which is also seen as a major corporate governance factor, must advance at the same pace as the enterprise.

Table No. 3: Membership				
Year	Opening Balance	Joined	Removed	Balance	Growth rate(in %) over the previous year
2000-01	1420	66	5	1481	0
2001-02	1481	125	8	1598	7.90
2002-03	1598	16	7	1607	0.56
2003-04	1607	4	3	1608	0.06
2004-05	1608	36	17	1627	1.18
2005-06	1627	28	3	1652	1.54
2006-07	1652	106	5	1753	6.11
2007-08	1753	92	10	1835	4.68
2008-09	1835	49	3	1881	2.51
2009-10	1881	109	12	1978	5.16

It was found that there is good growth rate in the membership in the society. The society has to make efforts to increase the membership by offering quality services.

The society also has to bring new and innovative products/services to the requirements of the members and for that the society has to go for market research. There shall be evaluation of the members for the services offered by the PACS.

Deposits: These are the main sources of working capital of the society to run the business. The bye-law should specify the types of deposits to be tapped. There is absolutely no objection to tap deposits from members. In fact, the co-operative principle in essence, stresses the importance of self-financing by the members, through thrift and other types of deposits. The society should try to get maximum deposits from the members. Thrift deposits from members who availed the services of the society may have to be made compulsory. Deposits from non-members may also be collected provided it does not attract prohibition from the Reserve Bank of India. Normally, the co-operatives, other than licensed co-operative banks and Primary Agricultural Societies are prohibited to take deposits from public. But most of the employees' co-operatives and other credit societies are taking deposits from the public

by admitting them as 'B' class shareholders. The Societies other than primary agricultural credit societies and banks collect fixed deposits from members and non-members and thrift deposits from members. The bye-law should provide to frame suitable regulations on the administration of deposits of all kinds. The Board of Directors is competent to frame such regulations. The Deposit Regulations should include, among others, the following aspects:

- ❖ Policy for collecting Short Term, Medium Term and Long Term Deposits.
- ❖ Rates of interest to be allowed.
- ❖ Procedure to be followed regarding repayment of deposits before the date of maturity.
- ❖ Policy regarding collection and repayment of thrift deposits
- ❖ Fluid Resources to be maintained (if it is the bank it is mandatory to maintain prescribed standards of cash reserves and liquid assets statutorily).
- ❖ Utilization of deposits.
- ❖ Policy on renewal of deposits.
- ❖ Authority competent to accept deposits.
- ❖ Formats for all types of deposit receipts and the authority to attest the documents.
- ❖ Policy on the issue of the loans against deposits.
- ❖ All other relevant matter.

Some societies frame Business Regulations in which regulations relating to deposits form part of it. Security deposits collected from the paid employees and trade deposits collected by organizations having trading activity should also be covered by the Deposit Regulations. While specifying the types of deposits that can be collected, in the bye-law it should be mentioned that they are governed by Deposit Regulations. Instead of mentioning fixed rates of interest in the regulations, it is always better to specify that interest on various types of deposits will be collected at the rates approved by the Board from time to time, subject to the policies of the Reserve Bank of India. This provision enables the societies to avoid going for frequent amendment of regulations.

Table No. 4: Deposits (Rs. in Lakhs)				
Year	Fixed	Saving Bank	Thrift Deposits	Total	Growth rate(in %) over the previous year
2000-01	0.35	0.25	0.07	0.67	0
2001-02	0.65	0.19	0.07	0.91	35.82
2002-03	2.15	0.44	0.07	2.66	192.31
2003-04	1.55	0.44	0.07	2.06	-22.56
2004-05	1.60	0.73	0.07	2.4	16.50
2005-06	1.30	0.23	0.07	1.6	-33.33
2006-07	4.51	1.42	0.07	6.01	275.00
2007-08	3.29	1.07	0.07	4.43	-26.17
2008-09	4.69	0.83	0.07	5.59	26.19
2009-10	4.96	0.63	0.07	5.66	1.25

It was found that the deposits are increasing very slowly. The percentage of growth rate is also very low. Taking into the consideration the society there are many changes required to increase the deposits.

It is suggested that the PACS has to campaign for the deposits in a systematic manner adopting the rural techniques.

For advancing loans to the members the society can, at the same time, earn surplus which can be distributed to their own members in the form of interest/dividend. The provision of savings services in rural/urban areas allows people to save for life events. Poor people particularly need savings services because of emergencies, unexpected opportunities, and major life events such as marriage or death and to ease payments of their consumption needs. Savings provide an important safety net for poorer households. It also plays a critical role in financing productive activities and can foster farm and non-farm rural/urban small enterprises.

Saving in a financial institution can provide three important factors crucial in the decision to select a particular institution: security, liquidity (access and convenience) and return (compensation).

Customers want to invest in a secure location and seek confidence to know that their funds will be protected. Also these clients are interested in having convenient access to their funds when the need arises.

It was found that the fixed deposits are more than the saving and thrift fund. For fixed deposit the PACS has to bear more interest rate and has to pay more interest to the members. The cooperative society may focus on low cost deposits i.e., Demand deposits (saving), for which the society needs to pay low interest.

Borrowings: The societies borrow funds from financing bank and other financing agencies in the shape of regular loans, cash credits, etc., on the terms specified by those agencies. Business Regulations should include the policy on borrowings and the authority to accept borrowings and the purpose of such borrowings.

The amount collected under both deposits and borrowings should be within "maximum credit limit" fixed in the bye-law. The maximum credit limit of the society, which is also called maximum borrowing limit, is fixed in terms of the number of times of paid-up share capital and the Reserve fund. There should be a specific provision in the bye-law fixing a realistic maximum credit limit based on the type of business expected to be done by the society. Sometimes, additional provision is also added in this bye-law authorizing increased maximum credit limit with the permission of the Registrar/Financing Bank/General body.

Table No. 5: Borrowings from DCCB Nizamabad				
(Rs. in Lakhs)				
Year	KCC	LT	Total	Growth rate (in %) over the previous year
2000-01	78.66	23.26	101.92	0.00
2001-02	107.70	22.06	129.76	27.32
2002-03	105.19	17.56	122.75	-5.40

2003-04	108.59	14.78	123.37	0.51
2004-05	82.93	12.65	95.58	-22.53
2005-06	118.79	32.46	151.25	58.24
2006-07	111.78	37.90	149.68	-1.04
2007-08	120.97	35.22	156.19	4.35
2008-09	99.69	54.24	153.93	-1.45
2009-10	153.17	42.15	195.32	26.89

It is generally noticed that all the PACS in the Indian Cooperative System get the borrowings from the DCCBs for loaning to the members of the PACS. However, in Kerala that is not the system. For increasing the business activities the PACS in the Nizamabad district invariably go for borrowings. According to the Vaidyanthan Committee Report now the PACS also can go for the outside borrowings i.e., Nationalised Banks for the borrowing purpose. If the rate of interest is lesser than the other cooperative banks then the PACS can opt from any financial institutions. However, DCCB has the advantage that it can understand the problems of the members of the cooperatives and can wait for time in case of financial difficulties, whereas, it is very difficult for the PACS to get such type services from nationalised banks or from any other financial institution.

Kisan Credit Cards (KCC): The society has supplied Kisan Credit Cards to all its loaning 1016 members i.e., 51.37% of its total members (1978). The system of KCC loaning system is introduced in the society from 1st April 1999.

Loans and Advances: An appropriate indicator of cooperative performance goes beyond profitability. This is because the performance of a cooperative should also be judged by its ability to inculcate the principle of cooperation among its members. This ability, when present, may translate into long-term viability of the cooperative. Accordingly, both profitability and viability were considered as two possible indicators of cooperative performance. However, analysis of the data showed a lack of correspondence between profitable and viable PACS in most states of India. It may be erroneous to come to any conclusion on this basis. First, the norms for viability have been changing over the years, on the basis of recommendations of various committees. Second, profitability and viability may not be correlated in the short-term but perhaps correlated with a time lag.

Table No. 6: Loans and Advances (Rs. in Lakhs)				
Year	KCC	LT	Loan on Deposit(LoD)	Total	Growth rate (in %) over the previous year
2000-01	61.32	18.08	0	79.4	
2001-02	86.96	20.74	0.08	107.78	35.74
2002-03	71.71	19.38	0.83	91.92	-14.72
2003-04	73.02	16.52	0.21	89.75	-2.36
2004-05	42.69	24.98	0.18	67.85	-24.40
2005-06	80.27	44.16	0.06	124.49	83.48
2006-07	82.45	47.74	0	130.19	4.58
2007-08	94.32	50.81	0	145.13	11.48
2008-09	99.13	48.03	0.40	147.56	1.67
2009-10	163.74	51.81	0.98	216.53	46.74

It is found that the society is giving good loans and advances to its members. The growth rate is also impressive. However the society is covering all the members of the cooperative. There is also a tendency that the members take loan and will not repay the loans. It was found that the society was not in a position to give loans to the members timely through DCCB. Even if the society gave loan, it was not sufficient to the activities taken up by the members. The loans were given to the members based on their landholdings. It is suggested that the loans shall be given to the members based on the crop. It was observed that sufficient loan (big loans) given to the members resulted in full repayment as compared to the insufficient loan holdings. The big loan holders will find leverage and be able to attend all the activities involved to crop development. The insufficient loan holder could not attend urgent and important activities. Finally, the farmer is not in a position to repay as he was not getting good return from agriculture. The loanee will pay interest on outstanding amount, whereas the DCCB is charging interest on the outstanding loan amount of the PACS. The PACS is not in a position to collect the outstanding amount and its interest. Hence, imbalances are increasing. Further, due to announcement of loan waiver, the Secretary of the PACS is in a fix and imbalances are increasing. The DCCBs should realise this fact and should charge only on the principal amount due with outstanding interest but not on the outstanding amount (principal amount + interest). Because of this the cooperative societies will go into loses. Hence, is suggested that the PACS has to identify good customers and then lend. It was also suggested that the PACS can also give loans to all the members.

Profit and Losses of the society: When PACS begin to lose profit, it is an indication that aggressive business decisions must be made to turnaround the society and to make profits.

In business, the rule for profit is to continually make as much profit for the shareholders. Therefore, a PACS's chief executive may make decisions at the detriment of employees to maintain and continue making a profit. Shareholders are investing money on a consistent basis in hopes of receiving returns on their investment. IF there is no profit, investors will stop investing and business cannot continue. Shareholders can also gauge the success of the CEO based on increasing or decreasing profits. This can determine if the CEO, or other top executives, should be replaced.

Table No. 7: Profit and Losses of the Society (Rs. in Lakhs)		
Year	Profit	Losses
2000-01	0	4.52
2001-02	0	2.23
2002-03	0	6.46
2003-04	0	14.22
2004-05	0	33.18
2005-06	0	35.52
2006-07	0	33.06
2007-08	0	40.80
2008-09	0	36.25

2009-10	0	Not Audited

Trading Activities of the Society: The society is doing trading business in Fertilisers and seeds for the members of the Society.

Table No. 8: Trading Activities of the Society (Rs. in Lakhs)				
Year	Opening Balance	Purchases	Sales	Gross Profits	Growth rate(in %) over the previous year
2000-01	2.42	16.81	18.33	0.27	0
2001-02	1.46	11.15	11.60	0.47	74.07
2002-03	1.39	9.34	10.03	0.41	-12.77
2003-04	0.99	8.51	9.28	0.32	-21.95
2004-05	0.58	3.39	3.89	0.08	-75.00
2005-06	0.19	14.88	14.67	0.40	400.00
2006-07	0.93	30.08	29.77	094	135.00
2007-08	2.44	37.47	39.21	1.00	0.38
2008-09	2.39	66.92	66.51	1.93	93.00
2009-10	6.07	68.46	69.83	2.00	3.63

Table No. 9.Demand Collection Balance(DCB) (Rs.in Lakhs)					
Year		Demand	Collection	Balance	Collection percentage
2001-02	SAO(ST)	87.52	63.31	24.21	72
	LT	10.36	4.35	6.01	42
2002-03	SAO(ST)	84.27	60.62	23.65	72
	LT	12.69	8.30	4.39	65
2003-04	SAO(ST)	79.36	41.42	37.94	52
	LT	15.19	5.45	9.74	36
2004-05	SAO(ST)	85.14	52.79	32.35	62
	LT	12.52	10.91	1.61	87
2005-06	SAO(ST)	82.08	57.19	24.89	70
	LT	3.76	2.53	1.23	67
2006-07	SAO(ST)	79.93	64.09	15.84	80
	LT	6.39	5.22	5.87	82
2007-08	SAO(ST)	NA	NA	NA	NA

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	LT	NA	NA	NA	NA
2008-09	SAO(ST)	111.68	72.05	39.63	65
	LT	8.54	6.17	2.37	72
2009-10	SAO(ST)	163.71	153.54	10.17	93.79
	LT	22.43	16.68	5.75	74.36

It was found that the collection percentage is encouraging in the middle of the chart. Whereas during the year 2008-09 it has fallen to 72% and during the LT loan improved to 74.36% and for the ST loans, it was 93.79%. However, the trend of the recovery is not satisfactory and strategic turnaround management has to be implemented to fill the gap.

Table No. 10: Working Capital of the Society (Rs. in Lakhs)		
Year	Amount Rs. Lakhs	Growth rate(in %) over the previous year
2000-01	114.13	0
2001-02	145.04	27.08
2002-03	139.44	-3.86
2003-04	138.13	-0.94
2004-05	110.57	-19.95
2005-06	180.58	63.32
2006-07	185.01	2.45
2007-08	175.35	-5.22
2008-09	176.19	0.48
2009-10	223.81	27.03

For the year 2009-10 the growth rate of working capital has improved to 27.03 Lk. However, with the past record of the society with the given figures we can conclude that share capital, deposits and reserve position has to be improved upon.

Provisions: Provision is an amount set aside out of profits in the accounts of an organisation for the known liability (even though the specific amount might not be known) or for the diminution in value of an asset. Common examples include provision for Bad Debts, provision for depreciation and also provision for accrued liabilities. The provision includes depreciation, overdue total interest, NPA etc.

Table No. 11: Provisions (Rs. in Lakhs)		
Year	Amount Rs. Lakhs	Growth rate (in %) over the previous year
2000-01	4.08	0
2001-02	4.47	9.56
2002-03	4.56	2.01
2003-04	8.06	76.75
2004-05	8.48	5.21
2005-06	31.87	275.83
2006-07	18.23	-42.80
2007-08	19.28	5.76
2008-09	19.28	0.00
2009-10	-	-

It could be seen that the provisions are reducing. The PACS has to maintain the provisions for all the expenditure and doubtful debts. The turnaround is possible only when it follows the rules of Vaidyanathan Committee and as per NABARD rules.

Reserve Fund: An account set aside by business to meet any unexpected costs that may arise in the future as well as the future costs of upkeep. In most cases, the fund is simply a savings account or another highly liquid asset, as it is impossible to predict when an unexpected cost may arise. However, if the fund is set up to meet the costs of scheduled upgrades, less liquid assets may be used. A reserve fund is a fund which is established for the purpose of covering expenses which will come up in the future. This includes scheduled expenses, routine expenses which can be relied upon to occur and unexpected expenses. The goal of a reserve fund is to make sure that monies are set aside to cover expenses so that these expenses do not require spending general funds.

Table No. 12: Reserve Fund	
Year	Amount Rs. Lakhs
2000-01	0.94
2001-02	0.96
2002-03	1.19
2003-04	1.31
2004-05	0.60
2005-06	0.56
2006-07	1.34
2007-08	3.60
2008-09	3.85
2009-10	3.85

It is clear from the above table that the reserve fund has become stagnant. The reserve fund showed the financial soundness of the PACS. In this society the net worth is less because of the low maintenance of reserves. To turn around the society has to start new businesses. It has to start business diversification, non-credit and no-fund business.

To turnaround the society it has to start gold loan business, vehicle insurance, current bills, LIC and telephone bill, harvester on rent, mid-day meals, paddy purchasing, rice mills, etc.

Investments: The society has deposits in DCCB, IFFCO, Kribhco and Andhra Bank. Investment is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in the form of interest, income or other assets or appreciation of the value of the instrument. Investment is related to saving or deferring consumption.

An investment involves the choice by an individual or an organisation such as a pension fund, after some analysis or though, to place or lend money in a vehicle, instrument or asset such as property, commodity, stock, bonds, etc; though has certain level of risk involved, it provides the possibility of generating returns over a period of time. When an asset is bought or a given amount of money is invested in the bank

there is anticipation that some return will be received from the investment in the future.

Investments (Rs. in Lakhs)		
Year	Amount Rs. Lakhs	Growth rate(in %) over the previous year
2000-01	16.72	0
2001-02	15.36	-8.13
2002-03	16.50	7.42
2003-04	16.10	-2.42
2004-05	16.62	3.23
2005-06	16.99	2.23
2006-07	23.71	39.55
2007-08	44.80	88.95
2008-09	47.40	5.80
2009-10	43.40	-8.44

It was found that the society is not in a position to invest with other cooperative societies/Government banks. Hence, it is suggested that the PACS has to create investment as a back-up to meet any type of expenses.

Findings and suggestions:

Following are the findings and suggestions for the turnaround management plan of the Indalwai PACS.

1. There are 1978 members and value of each share is Rs.10. Because of less face value of each share with 1978 members, the society has to spend lot money towards communication at the time of elections and other occasions. In the year 2005 it was decided to increase the share value to Rs.300/-. Out of 1978 members, the A class members are 1200 and nearly 778 members are B class. During the elections, for each member, the society has spent Rs.50/-. The society could not bear the expenditure. Even though the society has taken decision to increase the share value to Rs.300/- it could not implement this. Hence, it is suggested to implement the decision of increasing the value of the share to Rs.300/-. If the member has not paid then they should be dismissed from the membership after following due procedure with the permission from the department of Cooperation.

2. The society could not do many transactions with the members as the members were not aware about activities of the society. Further, those who were aware of the activities of the society lack the confidence. It was also observed that most of the members are illiterate. Most of the members do not even know what a cooperative society is. They feel that this is a PACS meant for them started by government for taking loans and advances and not for repayment. Hence, it is suggested that the society should create the awareness programmes to the members of the society; the society should conduct cooperative members' education programmes with the help of cooperative education officers of AP state Cooperative Union. The society should highlight the activities of the society to the members and also should motivate

by giving even a small loan with minimum amount to every member and to see that society is for the benefit of the members. The society should involve all the members in every activity of the society either in the deposit mobilisation campaign or *loan mela* or health camps, family welfare activities, or it should involve cross functional activities like dairy, animal health camps or self Help Groups, etc. This type of works leads to the development of and attachments of the members towards the activities of the society.

3. It was found that most of the members are small and marginal farmers. Because of this factor the farmers are not in a position to grow economically. Hence, it is suggested that all the farmer members should start cooperative joint farming society to grow faster economically. The PACS Indalwai should initiate steps to start the cooperative joint farming society.

4. The society has to highlight to its members the following advantages of saving and depositing in the PACS:
   - Promote thrift habit among the members.
   - It provides a corpus to meet family needs like old age requirements, children's education, marriage without recourse to loans, etc.
   - All customers get direct and easy access to and individual attention of the top management
   - Deposit mobilisation at the doorstep of the depositors with personalised approach
   - To promote brotherhood amongst members
   - To ensure fair and ethical practices of cooperative society
   - To protect the interest of its members
   - Grievance Forum/grievance redressal on site or on the spot
   - Interest on demand deposits/term deposits are not covered under Tax Deduction at Source (TDS) u/s 194A (3) of the Income Tax Act. At the same time it is to be noted that the Income Tax authorities can seek information from the society u/s 133(6) of Income Tax Act after taking due approval from the Commissioner of Income Tax.
   - Identify the Market in order to reach a more diverse clientele and attract net savers. The PACS must first identify who are the savers in the areas.
   - The PACS should propagate benefits among the members and motivate them to save.
   - Explaining about the deposits to the members
   - Explain the present interest rates of the competitors and Indalwai PACS interest rates. Ask them to take their own decision. Don't beg but attract them. Use "trust factor". Generally the PACS gives more interest i.e., 0.5% higher than Nationalised banks.
   - Recognise competing institutional advantages and disadvantages (i.e., image, regulations)
   - Analyse savings behaviour and preferences by market segments (income, gender, age, occupation, rural/urban)
   - Identify net savers and net borrowers
   - Impact of savings on savers

- Training/Seminars/Workshops/customer education to all the society members and non-members
- Setting targets for opening new deposit accounts to all management committee members also.
- Creating awareness among the members by meetings, display on boards in the premises of the society
- Printing brochures-stating the interest rates offered and achievements of the society
- Approaching every household (big or small) in the area
- Providing best customer service to the members
- Approaching school teachers and employees of offices - private and government
- If possible launching daily deposit scheme and other schemes considering segments of customers
- Retaining existing depositors by quick and quality services, timely payment of deposits, timely renewal of deposits, issuing loans against deposits, etc.

- It is also suggested that the management has to take interest in deposit mobilisation campaign by following measures:

  - ❖ Strong governance and Professional management
  - ❖ Solid internal control and financial systems
  - ❖ Ensure that the deposits are never be used for meeting operating expenses
  - ❖ History of strong loan portfolio quality management
  - ❖ Effective supervision and regulatory formalities
  - ❖ Developing deposit taking skills among employees/Board of Directors and capacity building programmes
  - ❖ MIS and software for sophisticated financial management capabilities that focus on liquidity and risk management
  - ❖ Marketing to internal and external people i.e., internal people, who are already members, with updated new products and external people, who are potential, by awareness camps.

5. It was found that the society was not in a position to give loans to the members timely through DCCB. Even though the society has given loan, the loan was not sufficient for the activities taken up by the members. The loans were given to the members based on the landholdings. Here it is suggested that the loans be given to the members based on crop. It was observed that sufficient loan (big loans) given to the members resulted in full repayment as compared to the insufficient loan holdings. The big loan holders will find leverage and be able to attend all the activities involved in crop development. The insufficient loan holder could not attend urgent and important activities.

Finally, the farmer is not in a position to repay as he was not getting good return from the agriculture.

6. The Loanee will pay interest on outstanding amount. Whereas the DCCB is charging interest on the outstanding loan amount of the PACS. The PACS is not in a position to collect the outstanding loan amount and its interest. Hence, imbalances are increasing. Further, due to announcement of loan waive, the secretary of the PACS is in fid and imbalances are increasing. The DCCBs should realise this fact and should charge only on the principal amount due with outstanding interest but not on the outstanding amount (Principal amount + interest) Because of this the cooperative societies will go into loses.

7. The Board of directors are not fully aware of the management of the society and they are occupied with their own vested interests. The Board of Directors should be given training classes on professional way of doing business and its management. The Board should concentrate about the non-credit activities and business diversification with commitment from the members irrespective of political motives. The Board of Directors should follow good governance practices.

8. The DCCB should take policy matters timely so that the recovery process can take place in lucid way. But in practice the recovery campaign takes place when the farmer members spend all their money.

9. The government is announcing loan waiver scheme because the good members (regular repaying members) are also following bad practices of not repaying the loan instalments. Further, member who has not repaid loan was also getting loan again. Because of this the regular payer is getting de-motivated. Hence, this practice should be stopped.

10. Either the Government or DCCB are not consulting the PACS before taking the policy decisions. Because of this PACS are getting affected to that extent. Hence, it is suggested that PACS may be considered/consulted before taking the decisions.

11. More training programmes should be imparted to the PACS Secretary and BoDs so that they get motivation and new idea generation.

12. The government should take action for construction of more godowns to preserve the agricultural produce of the farmers.

13. The DCCB should sanction loan to the PACS for loaning activities for cows, sheep, housing loans, education loans, vehicle loans, etc.

14. The society has increased its image due to computerisation. Because of this the society is in a position to save time and confidence level of the members. Even to generate new business, the computers are useful.

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About Yugantar Education Society

Yugantar Education Society (YES) is the oldest voluntary service organization in Central India. It was founded in 1920, with a strong value base of making learning and knowledge available to all strata of society. The society was founded by Late Shri. Raosaheb Thaware, a noted social activist and Late Shri Nashikrao alias Balasaheb Tirpude, Former Deputy Chief Minister of Maharashtra. The Education society has under its aegis, primary and high schools, colleges, hostels for boys and girls, specialized departments for professional education like, HMCT, Social Work, MBA, BBA, Physical Education and Nursing. The society has held aloft its banner of being the best in region in terms of quality of education imparted, excellence in infrastructure and efficacy in disbursal of knowledge. The YES is spearheaded by its President, Shri Rajkumarji Tirpude, who has always led from the front, paving the paths to success. The reach of society has spread far and wide, resulting in nearly 6000 students studying in its myriad programmes.

About TiRPUDE Group of Institutes

Tirpude Group of Institutes comprising **Tirpude's DMSR and Tirpude Institute of Management Education** is widely recognized by students, industry and society at large for its quality education in the field of business management since its inception in 1994. The group offers various UG and PG programmes such as BBA, BCCA, MBA, Executive MBA, PGDM, etc. Tirpude Group of Institutes has a bouquet of valuable comprising most committed faculty, state of the art infrastructure in the heat of India, well equipped and updated computer centre, rich resources in terms of books journals and magazines and students of exceptional intelligence and ability but few perceptions. The students are transformed from mere management pupils and theorists to budding corporate leaders with commitment to their task, heightened perceptual ability, and willingness to work and excel with team. TIME nurtures a tradition of teamwork and co-operation that balances with academic competition and encourages sharing among classmates.