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EFFECT OF FIRM INDUSTRY TYPES ON THE LEVEL OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURES IN NIGERIA

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ABSTRACT

The aim of this study is to create good understanding of the influence of firm industry types on the quantity of corporate social responsibility disclosures in Nigerian capital market. The sample consists of non-financial firms from the Nigerian capital market from 2000 to 2015 whose reporting are deemed to be complete within the financial years stated and are more likely to disclose CSR information. The environmental, community and employee's disclosure cost contents are introduced in order to determine the extent of CSR disclosure. Results based on the content data multiple regression models indicate a positive relationship of CSR disclosure to the ownership structures. The result implies that firm industry type in the study has no significant effect on the CSR disclosure. Meaning that corporate social responsibility disclosures adherence in Nigerian capital market is not dependent on industry types but other factors such as ownership percentages, firm size financial performance and the rest. Our empirical results have several policy implications for good corporate governance practices of voluntary and mandatory disclosures in Nigeria and other emerging economies that the governments have need to make some strict policies for firms regarding the CSR that will compel firms through good ownership structures to be responsive to social activities.

KEYWORDS

corporate social responsibility disclosure, firm industry types.

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1.0 INTRODUCTION

Corporate social responsibility is a multi-dimensional modern management technique that imposed greater societal and moral obligation on firms to behave responsibly in a corporate world. Buhr, (2007) mentioned in Wachira (2017) submits that companies many times get involved in CSR disclosure activities so as to discharge a moral duty, gain competitive advantage, report the company's performance both financially and physically in terms of the amount spent on community projects and improve the company's image thereby influencing the external perceptions of people towards the company.

Industrial sector a firm belong has a way of shaping its outlook and operational modalities of the firm in having the desire to either be corporately responsible or otherwise. Firm industry type has been regarded as one of the key potential factors that may affect CSR disclosure practices (Hackston & Milne, 1996). It has been argued in the extant studies that companies in some industries were socially more exposed to public scrutiny (Branco & Rodrigues 2006). These companies were said to have faced greater political and social pressure to "clean up" their CSR disclosure practices and, hence, were expected to act in a socially responsible manner (Hassan *et al.,* 2012).

Past studies categorised firm industry types into two, namely high extractive profile and low extractive profile as well as study carried out by (Stanton 2012, Halil 2014 & Burgwal 2014). It was viewed that firms with high extractive profile are an environmentally sensitive firms and are prone to availing more information on CSR disclosures (Stanton, 2012). Firm industry types related to the theory of legitimacy and institutional that the firm which is sensitive to the environment will be considered by the community, government, or other parties as partners in relation to the ecosystem and as such environmental friendly and such will likely have disclosed more information in their financial statement. But Mbekomize (2013) contended that the type of firm is not much a determining factor as far as the level of environmental disclosure is concern and concluded that it is an issue of discretion, voluntary and never mandatory. While the results of other studies states that the type of firm has a significant influence on the disclosure of corporate social responsibility (Hartikayanti, 2014). In any case there exist an association between firm industry types and CSR disclosures as has been attested to by these number of empirical studies. (Boesso & Kumar 2007; Ezat & El-Masry, 2008; Pozniak *et al*., 2011). Hence this study uses NSE industry segment or firm classification and numbers available in the taxonomy of firm's extractive profile to proxy firm industry types on CSR disclosures by the listed firms in the capital market.

This study examined the extent to which firm industry types impact on the quantity of corporate social responsibility disclosures in the Nigerian capital market. Therefore, the objective of this study is to examine empirically the relationship between firm industry types on corporate social responsibility disclosures in Nigerian capital market and the level of corporate social responsibility disclosures in Nigerian capital market. In view of the above objective for the study, the hypothesis of the study was formulated, which is:

H_0: There is no significant influence between firm industry types and the level of corporate social responsibility disclosures in Nigeria capital market.

H_1**:** There is a significant influence between firm industry types and the level of corporate social responsibility disclosures in Nigeria capital market.

2.0 LITERATURE REVIEW

2.1 CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is a multi-dimensional modern management technique that imposed greater societal and moral obligation on firms to behave responsibly in a corporate world. ICAB (2003) as cited in Islam et al. (2010) explains corporate governance to imply a structure and process for decision making, accountability, control and corporate behaviour at the governing body. This includes the right to secure ownership, to have full disclosures, to have voting rights, to participate in all kinds of activities during annual general shareholders' meeting, and the right to be informed on any fundamental corporate changes affecting the firm. It enables shareholders to see themselves as owners' not just investors. Thus, the need of corporate governance having bearing on CSRD is increasing day by day not only to protect the interest of stakeholders but also to bring about efficiency in the way capital markets is being ran.

Obviously, the disclosures expected of firms as a responsible corporate citizens should be holistic and total but most often, reversed is the case with many firms as observed by Makori & Jagongo (2013), in a study on Indian companies as they posits that environmental reporting and disclosure is broadly classified into mandatory and voluntary disclosure, with most of the companies opting for voluntary environmental reporting and disclosure in the form of a satellite reporting, sustainability reporting, global reporting initiative and Internet reporting respectively. While Akanfe, Michael, and Bose, (2017) submit that CSRD in Nigeria is more of voluntary instead of mandatory disclosures often brought to the fore. This position epitomizes the views of many Nigerian researchers in environmental accounting who continue to emphasise that firms operating within the economic jurisdiction need to go beyond voluntary disclosures in their financial reports for the confidence of the numerous stakeholders to be strong in their various industries operation as CSRD compliance firms (Obafemi, et al, 2018; Adeyemi, & Ayanlola, 2015).

Corporate social responsibility (CSR) disclosures when done in a proper manner can be used as a device by companies to communicate accountability, by showing their vision for the future and account for past performances. If companies are able to communicate their social and environmental work they can receive advantages attached to a good reputation and build a relationship, based on trust, with the society in which they operate (Khasharmeh & Suwaidan, 2010). Corporate social responsibility (CSR) and disclosure has become an important issue in the business world (Waller & Lanis, 2009), because of some major corporate ethical disasters regarding the environment, human resources, and the community that have hitherto existed. In addition, there has been a growing demand for public firms to voluntarily disclose their CSR activities in the annual reports sent to stakeholders such as customers, suppliers, employees, investors, and activist organizations. Interestingly, Corporate social responsibility disclosures have been the focus of much academic research since the mid - 1970's (Minga, 2010).

2.2 INDUSTRY TYPES

Industrial sector a firm belong has a way of shaping its outlook and operational modalities to the desire of such firm to ether be corporately responsible or otherwise. Some industries have the nature to create more objects that have an effect on the environment. Therefore, these industries are expected to disclose more information about their environmental performance. There are several industries operating in Nigerian Stock Exchange market including banking, insurance, financial services, construction, agriculture, ICT, media, gas, energy, chemical and oil. Since some industries are known to damage the environment while others have little or no impact on the environment, and for the purpose of this study, we classified sampled companies into two industries types: the first is high extractive profile (construction, manufacturing, oil, agriculture, industrial and allied firms) and the second type is low extractive profile (consumer products, media, ICT, transport and hospitality firms).

2.3 EMPIRICAL REVIEW OF PAST STUDIES

2.3.1 Effect of Firm industry types and Corporate Social Responsibility

Industry is an organization of activity of processing raw materials or semi-finished goods into finished goods, finished goods that have added value to gain a competitive advantage. The categorisation of the industry may not only be in the form of goods, but also in the form of services. The industry in the Nigerian setting, is all forms of economic activity that processes raw materials and / or take advantage of industry resources to produce goods that have added value or benefit higher, including industrial services. The Nigerian Stock Exchange (NSE) classifies the type of industry that was adopted from the Fact Book 2015 as follows: 1) Agriculture, 2) Mining, 3) Allied and chemicals industry 4) Miscellaneous industry, 5) Consumer goods industry, 6) Property, real estate, and building construction, 7) Infrastructure, utilities and transportation, 8) Finance, and 9) Trade, services and investment.

In examining this study, the objective was to assess the effect of firm industry types on the level of corporate social responsibility disclosures in Nigerian capital market. The firm industry types variables examined therefore include categorization of the existing industries other than financial services industry into high extractive profile and low extractive profile on the CSRD in the Nigerian capital market. The classification definitely will help to show the impact each category has on the elements of corporate social responsibility disclosures as stated earlier in the study.

Firm industry types as a variable has been used in a number of studies as a key potential factor that bring about a significant effect on the level of CSR disclosure practices in time past (Hackston & Milne, 1996). It has been argued in the extant studies that companies in some industries were socially more exposed to public scrutiny (Branco & Rodrigues 2006). Nidal (2016) submit as he investigated the relationship between different themes of corporate social responsibility (CSR) and companies' market value measured by using Tobin's Q in the Jordanian firms listed on the Amman Stock Exchange (ASE) for the period 2006–2010. The results revealed that CSRD activities of environmental, community and products decreased market value in the food and beverage industry type, while human resources activities had no effect on market value in the same industry type. Whereas the same CSRD activities was found to have a negative effect on market value in the pharmaceutical and medical industry. This goes to show that various CSR activities are affected in a varying degree due to the prevailing practices in the industry the firm belong to. Many companies in various industries were said to have faced greater political and social pressure to "clean up" their CSR disclosure practices and, hence, were expected to act in a socially responsible manner (Hassan, 2010).

In addition, Uwalomwa and Egbide, (2012) examined the relationship between firm industry types and the level of corporate social responsibility disclosures among selected firms in Nigeria using 41 listed firms for a period of one annual year report employing multiple regression statistical technique. The observed finding show that a significant negative relationship exists between firm industry types and the level of corporate social responsibility disclosures. But the result may not be statistically significant due to the extreme short period of one annual report used with large number of firms covered.

Past studies categorised firm industry types as a measure of this variable into two, namely industrial high extractive profile and industrial low extractive profile as seen in studies carried out by (Stanton 2012, Hategan, & Curea-Pitorac, 2017). Researchers have observed that the type of industry to which a firm belong will constantly determine the company characteristics in demonstrating compliance tendencies associated with the other firms in the same industry (Hackston & Milne, 1996). Companies with high extractive profile types are an environmentally sensitive company Stanton (2012). Industry type related significantly to the theory of legitimacy, that the company is sensitive to the environment will be considered by the community, government, or other parties. Relating to environmental disclosure Mbekomize (2013) stated that the type of industry is not a determinant of the level of environmental disclosure and that other factors such as regulatory functions and the country policy frameworks surely plays contributory roles. Results of other studies state that the type of industry has a significant influence on the disclosure of corporate social responsibility (Hartikayanti, 2014).

Mbekomize (2013) went further on his study of CSRD activities status among Botswana banking industry categorization and the level of disclosures using the content analysis technique was employed relating the industry types reporting to CSR activities in four major areas of human resources, community involvement, environmental and ethical matters formed the bases for measuring level of CSR disclosure. The study found that a significant number of banks in Botswana are involved in CSR activities and report such engagements in annual reports. The findings of the study also suggest that the majority of banks engage extensively in and report their participation in community involvement and human resources activities. Obviously, the report was very limited to banking industry type that falls under low environmental profile taxonomy. This implies that generalization of findings cannot be made. There is need to go further in verifying the impact of industry types on the level of CSRD of the listed firms.

Mbekomize (2013) in view of the result contended that the type of firm is not much a determining factor as far as the level of environmental disclosure is concern and conclude that it is an issue of discretion, voluntary and never mandatory. While the results of other studies state that the type of firm has a significant influence on the disclosure of corporate social responsibility (Hartikayanti, 2014). In any case there exist an association between firm industry types and CSR disclosures as has been attested to by these number of empirical studies (Uwalomwa & Egbide, (2012; Hategan, & Curea-Pitorac, 2017). Hence this study uses NSE industry segment or firm classification and numbers available in the taxonomy of firms to proxy firm industry types on CSR disclosures by the listed firms in the capital market.

2.4 THEORETICAL FRAMEWORK

Corporate social responsibility is a topic that has significantly gained interest among most researchers from various theoretical perspectives. The most popular perspective is positive accounting theory from Watt and Zimmerman (1986). Positive accounting theory is premised on the neo-classical economic theory. Fundamental to it is a belief in rational choice theory, that is material self-method self-interest (opportunistic behaviour) is the reason for the choice of accounting method and procedure as well as policy decision. Positive accounting came as a result of the Jensen for positive accounting approach because he was of the view that research in accounting has been unscientific because the focus of this research in accounting has been overwhelmingly normative and definitional (Belkaoui, 2014). Relating theory with corporate social responsibility disclosures, this study considered institutional and signalling theories among many others relevant to CSRD.

Signalling theory has been said often times to have bearing with CSRD and firm industry types taxonomy of the listed firms. Janssen and Roy (2013) explains in their study of product, completion and disclosure how firms tried to outsmarts their competitors in the industry why it is very usual for firms to use signalling theory in spite of likely high costs associated with such effort. Most firms are very reluctant to disclose information voluntarily where there is no incentive to enjoy that likely outweigh the cost element, hence cost –benefit approach is the underlining determinant in market driven economy. This philosophy was one of the driving factors behind the proposition of signalling disclosure theory (Omran & El-Galfy, 2014). This was further buttressed by firms have an incentive to report information voluntarily to the capital market: voluntary disclosure is important in order for firms to be successful in competition while in the market for risk capital. It is worth knowing that insiders have information about a company and its future prospects than investors do; therefore, investors will protect themselves by offering a lower price for the company. However, Mohamad, 2018 examining the impact of signalling theory of disclosure in comparative study of listed firms in Jordan opine that the worth of the company in their various sectors can be increased if the firm voluntarily reports (signals) private information about itself (i.e., CSR) that its standard, relevant and credible thereby reducing outsider level of uncertainty.

Without doubt provision of standard from regulatory bodies curtail (or reduce) the level of ‘information trading’ by insiders of corporate entities, if the standard is well complied with. As stressed by Toms (2002) cited in Andrea, (2015), signalling hypothesis suggests that, where certain conditions are complied with, true signals will be accepted and false ones rejected. It is therefore expected that mandatory adoption of, and reasonable high compliance with stringent CSR disclosure code will ultimately reduce information asymmetry and thereby allows a measure of improved level of trust on the disclosed firms’ idiosyncrasies and CSR disclosures by the users of the financial reports. The finding of Akani and Umobong, (2015) in a cross-sectional study using regression analysis of some selected brewery firms of manufacturing sector in Nigeria suggests that compliance with the disclosure requirements of regulatory institutions reduces information asymmetry and enhances the ability of financial analysts and advisers to give more accurate economic information to various users for necessary economic decisions.

On the other hand, institutional theory or hypothesis helps firm to demonstrate how they have been able to adhere in many ways to the required regulatory framework expected of them as a corporate citizen so as to enjoy an increased patronage by the investing public.

Institutional (or neo institutional) disclosure theory was developed from organizational theory in the late 1970s (Meyer & Rowan, 1977). The firms are seen as part of the larger social system whose activities are seen in the context of social and environmental disclosure (Muthuri & Gilbert, 2011). In general, institutional theory engages itself on why firms tend to behave similar both in social context and environment disclosure pattern to the other firms operating in the same industry or business stand point as seen from the research on analysis of corporate social responsibility among Kenya organisation to determine who and what shaped CSRD (Muthuri & Gilbert, 2011). The institutional disclosure theory placed its emphasis on how various institutions: regulatory, normative, and cognitive institutions, ensures that coercive, normative, or mimetic pressure are placed on the firms to have a conforming posture towards the adoption of uniform social and environment disclosure since they have similar operational modalities.) to other firms operating in the same institutional environment (Muthuri & Gilbert, 2011).

However, in the views of Scott, (2004) mentioned in Andrea, (2015) posits that organization structure reflects the phenomena in the environment that tends to make it become isomorphic, partly because of technical and exchange interdependencies, and also by socially constructed realities. Isomorphism is seen as the adaptation of an institutional practice by an organization over time. Nyahas, Munene, Orobia, Kaawaase, (2017) in a cross-sectional study of isomorphic influences and voluntary disclosures in mediating the roles of organizational culture concluded that that coercive and normative isomorphic mechanisms are positively related voluntary disclosure while mimetic mechanism is not. Organizational culture partially mediates the relationship between isomorphic influences and voluntary disclosure practices of listed firms in developing economies of West Africa.

Thus, isomorphism which refers to the process by which firms adapt institutional practices for instance, imbibing social environmental disclosures (SED) which is a pillar in CSRD of other organizations that are worthy of emulation either as industry leader or peer industry leader with best practice is very much needed when considering disclosure practices. These isomorphic processes consist of three forms: coercive, mimetic and normative. Coercive isomorphism arises when companies change their institutional practices because of pressure from those stakeholders on whom the company is dependent (Deegan, 2011). Mimetic isomorphism is perceived as occurring when companies seek to emulate or improve on the institutional practices of other companies, often for reasons of competitive advantage in terms of legitimacy (Deegan, 2011). Normative isomorphism arises as a particular organizational field matures, and it consists of conforming to a worldview within the organizational field where change occurs through the development and communication of this worldview by peers and/or common socialization experiences (Tuttle & Dillard, 2007). Amran and Devi (2008) argue that institutional theory is relevant when describing CSRD practices of government-linked companies in Malaysia. They have documented that the government-linked companies are generally good reporters because the CSR agenda is institutionalized within the companies through government influence and dominance.

The relevance of institutional disclosure theory is very succinct to this study as it offers useful compliment for stakeholders disclosure theory that enhances the realization of the specific objective three and four of the study since the latter captures all other vital stakeholders apart from management who are the operative within established institutional CSR agenda, relating with other stakeholders such as shareholders, regulators, creditors, employees, financial analysts, and potential investors etc., who rely on financial reports to make useful economic decisions. This institutional theory provides theoretical foundation for explaining how effective institutional managers of quoted companies prepares information inform of firm idiosyncratic elements as firm size, financial performance, ownership structure and firm industry segmentation activities reports to manage their own career progression by discharging their responsibility with utmost integrity, mandatory compliance with corporate governance code of CSR disclosures and discloses report at a given intervals that are accurate, relevant and useful to all stakeholders without putting any stakeholder at a disadvantage under the watchful eyes of government influence and dominance as a regulator (Deegan, 2011, Nikolaeva & Bicho, 2011; Michelon, 2011).

3.0 METHODOLOGY

To ascertain the nature of the effect of the firm industry types on the CSR disclosures in Nigerian capital market structure, the study employed a linear regression analysis. The outcome of the linear regression analyses is laid out in the table given below.

The data for this study were gotten mainly from secondary sources which were collected from the audited annual reports and accounts of the listed non-financial firms in Nigeria. The population of the study consists of all firms listed on the main board of Nigerian stock exchange while the sample size consists of sixty-six (66) non-financial firms quoted on Nigeria stock exchange as at 2016 spanning for a period of 16 years (2000 – 2015). The reason for the sample size of non-financial was that many previous studies on similar topics centred on banks and oil firms to the exclusion of other firms that have grave environmental impacts This research work is descriptive and highly empirical as it embraces the use of content panel regression techniques as tool of analysis which previous studies found very appropriate.

TABLE 1: SECTORAL CLASSIFICATION OF SAMPLED NON-FINANCIAL COMPANIES IN THE NSE

Sectors	**Frequency**
Agriculture	5
Conglomerates	6
Construction/Real Estate	9
Consumer goods	27
Healthcare	11
ICT	9
Industrial Goods	21
Natural resources	5
Oil and Gas	14
Services	23
The actual Working population of the study	**130**
Excluded: Companies without complete data point from 2000 - 2016	64
Actual sample firms for the study	**66**

Source: Author's compilation 2017

Model Specification

In order to examine the effect of industry types on the level of corporate social responsibility disclosures among the listed firms in the Nigerian capital market, a panel regression model was built. The model captures the degree of relationship the explanatory variables exert on the dependent variable

CSR =β0+ β1FITit +£

Where CSR= corporate social responsibility measured using CSR disclosure cost index

FiIT: Firm industry types measured as the log of total asset

β1- β3 are the coefficient of the parameter estimate

4.0 DATA PRESENTATION AND ANALYSIS

The objective of this study is to assess the effect of firm industry types on corporate social responsibility disclosures in Nigerian capital market. The firm industry types variables examined here include categorization of the industries into high extractive profile and low extractive profile on the CSRD in the Nigerian capital market. The classification definitely will help to show the impact each category has on the elements of corporate social responsibility disclosures as stated earlier in the study. To ascertain the nature of the effect of the firm industry types on the CSR disclosures in Nigerian capital market structure, the study employed a linear regression analysis. The outcome of the linear regression analyses is laid out in Table 1.

Hypothesis: Firm's Industry Type and Corporate Social Responsibility

Hypothesis Testing

H_0: There is no significant effect of firm industry type on corporate social responsibility disclosures in Nigeria capital market.

H_1: There is a significant effect of firm industry type on corporate social responsibility disclosures in Nigeria capital market.

F-test was employed to test null hypothesis that there is no significant effect of firms' industry type on corporate social responsibility disclosures in Nigeria capital market. The results of ANOVA test show that the F value is 2.002 with a significance of p value = 0.157342 which is greater than α=0.05, imply that there is no significant effect of firm industry type on the corporate social responsibility disclosures among listed firms in Nigeria capital market. Likewise, the coefficient β = 0.367736 is not significantly different from 0 with a p-value of 0.5538 which is greater than 0.05. The result implies that firm industry types in the study has no significant effect on the CSR disclosure. This imply that factors other than the types of industry a firm belongs may not necessarily constitute a major compelling reason to complied with CSR disclosure requirements but such factors as ownership structures, financial performance firm size and the rest.

4.1 DISCUSSION

The firm industry types variables examined here include categorization of the industries into high extractive profile and low extractive profile on the CSRD in the Nigerian capital market. The classification definitely will help to show the impact each category has on the elements of corporate social responsibility disclosures as stated earlier in the study. To ascertain the nature of the effect of the firm industry types on the CSR disclosures in Nigerian capital market structure, the study employed a linear regression analysis. The outcome of the linear regression analyses is laid out in Table 4.1.

The result above agrees with Nidal (2016) submission who investigated the relationship between different themes of corporate social responsibility (CSR) and companies' market value measured by using Tobin's Q in the Jordanian firms listed on the Amman Stock Exchange (ASE) for the period 2006–2010. The results revealed that CSRD activities of environmental, community and products decreased market value in the food and beverage industry type, while human resources activities had no effect on market value in the same industry type. Whereas the same CSRD activities was found to have a negative effect on market value in the pharmaceutical and medical industry. This goes to show that various CSR activities are affected in a varying degree due to the prevailing practices in the industry the firm belong to. Many companies in various industries were said to have faced greater political and social pressure to "clean up" their CSR disclosure practices and, hence, were expected to act in a socially responsible manner (Hassan, 2010).

On the other hand, the result of Uwalomwa and Egbide, (2012) who examined the relationship between firm industry types and the level of corporate social responsibility disclosures among selected firms in Nigeria using 41 listed firms for a period of one annual year report. The study employed multiple regression statistical technique shows that a significant negative relationship exists between firm industry types and the level of corporate social responsibility disclosures. Nevertheless, the result may not be statistically significant due to the extreme short period of one annual report used with large number of firms covered.

Conclusively, the result of low or no significant relationship between industry types and quantity of CSR disclosures among listed firms in Nigeria may be an indication of firm lack of mandatory compliance attitude to rules and regulations put in place by various authorities. In any case, lack of commitment to do the right by some firms in the capital market constitute an impediment to compliance level of many firms. While in many instances the brazen attitude of corporate culture of impunity carried over from the military era to the democratic period undermining the culture of corporate accountability has greatly imparted organizational behavior responsibility (Uwalomwa & Egbide, 2012; Hategan, & Curea-Pitorac, 2017).

TABLE 4.1: ANOVA OF FIRM INDUSTRY TYPE ON CSR

Dependent Variable: LOGCSR				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.36348	0.539644	28.46967	0.0000
FIT	0.367736	0.620945	0.592220	0.5538
R-squared	0.001903			
Adjusted R-squared	0.000953			
F-statistic	2.002449	Durbin-Watson stat		2.164191
Prob(F-statistic)	0.157342			

5.0 CONCLUSIONS AND RECOMMENDATION

This study is undertaken in a Nigerian setting. Using a CSR cost disclosure index, we scored a sample of 66 Nigerian non-financial listed firms. We examined the main drivers of Nigerian non-financial listed firms to report CSR in their annual reports.

We found that corporate owners would like to showcase themselves as corporate responsible firms by making numerous cost disclosures to the effect of compliance with the required regulations in the capital market. We also found that the dispersed the owners of the firms are, the more it becomes more complex to have consensus ability to arrive on critical decision that can impact positively on the quantity of corporate social responsibility disclosure.

There are some implications of the study's findings for both academics and /or practitioners. The study contributes to the accounting literature and more specifically to the literature on CSR disclosure for the listed non-financial firms. The findings of this study will advance our understanding of CSR practices in a developing country context by demonstrating how company's ownership structures idiosyncrasy could determine the level of a company's CSR disclosure practices. Given these results in Nigeria, researchers could reasonably anticipate finding of similar results in other countries.

In this study our contribution for the first instance demonstrates the importance of company's idiosyncratic information that play a vital role in CSR company disclosure practices. Moreover, the findings reported in this paper have three important practical implications. First, investors may find this study useful as it provides analysis of the relationship between the levels of CSR company disclosure practices and the company's characteristics within a developing country context. Second, the subject firms (Nigerian non-financial firms) may use the findings of the study of improve their accounting disclosure systems. Finally, the Stock Market Authority in Nigeria and other emerging countries in that region can use the findings of the study to improve their CSR disclosure regulations and practices.

Like most research of its kind, the results of the study are subject to some limitations. One potential limitation of the current study is its use of a CSR cost content disclosure to investigate the phenomenon. The existing disclosure literature does not provide a great number of alternatives for measuring disclosure. We acknowledge that, as in other disclosure studies, the selection of the items included in the cost disclosure content inevitably involved some degree of judgment and subjectivity when viewed with other disclosed parameters (Marston & Shrives, 1991). Another limitation of the current study is that population and sample are limited to only listed firms other than financial institutions in Nigeria stock exchange which most prior studies examined.

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ATTITUDE OF OFFICIALS OF THE PHWCS TOWARDS THE VARIOUS SCHEMES IN ERODE DISTRICT

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ABSTRACT
The doctrine of handloom cooperatives is very absolute in its concept but in its practice there are certain deficiencies. As it is the cooperative sector the loop holes are many and if the mechanism to correct them is effective, the economic activities of the nation will go high and the sector will flourish. To attain this, the identification of the real problem is the first job of the policy makers and the continuous and effective follow up and equally the remedial measures on time are essential in implementation of various development and welfare schemes of the PHWCS. The officers of the PHWCS witness and experience the introduction, implementation and impact of the different schemes. It is essential to discuss the view of officers for the purpose of making all the schemes more effective. Initially, the profiles of the officers were discussed in order to provide the background of the officers. The Factor Analysis is used to make an in-depth analysis.

KEYWORDS
Erode, PHWCS, government schemes.

JEL CODE
P13

ABBREVIATION
PHWCS: Primary Handloom Weavers Co-operative Societies.

1. INTRODUCTION
The textile industries play a vital role in catering the need of cloth, a basic need of human beings. It has two fold of production sector namely, handloom and power loom. The handloom industry is a labour intensive one hence, the handloom products are costlier than the power loom products. The handloom weavers are also on par with farmers to pay proper attention and supports for their livelihood. The central and state governments initiated to form co-operative societies to face the tough competition. The central and state introduces and implements various development and welfare schemes for the Primary Handloom Weavers Co-operative Societies.

2. STATEMENT OF THE PROBLEM
As every coin have two sides, it is equally important to absorb the role of co- operative officials of the PHWCS rather than the benefits enjoyed by the weavers through the various schemes. The term co–operative officials are the staff members including managers of the PHWCS. Hence an attempt has been made to study the attitude of the officials of PHWCS towards the implementation of the development and welfare scheme of PHWCS in Erode District.

3. SCOPE OF THE STUDY
The study covers the primary handloom weavers' cooperative societies in Erode district. Since Khadi Craft is hand spun and hand woven and functioning under a separate department it is excluded from this study. The study incorporates the handloom cooperators associated with the handloom cooperatives and their attitude to the schemes.

4. OBJECTIVES OF THE STUDY
The study has the following objectives
1. To analyze the profile of the officials of Primary Handloom Weavers' Co-operative Societies in Erode and their attitude towards various schemes.
2. To summaries the findings and to offer suggestions to make the various schemes more effective in the Primary Handloom Weavers' Co-operative Societies.

5. REVIEW OF LITERATURE
Several studies have been conducted in the field of handloom in general and the handloom cooperative sector in particular. However, most of the studies are in the fields of production activities, marketing practices, handloom exports, organizational climate, economics of handlooms, cooperative leadership, up-gradation of handloom cooperatives, prospects and problems of handlooms, sickness in co-operatives, the impact of the weavers' cooperatives on individual member-weavers and their benefits for the weavers and the Cooperative Industry and the New Economic Policy. The government has also conducted a number of studies.
Mathiraj and Rajkumar (2008)[1] in their study titled *Analytical study of handloom products-Production and Marketing* highlighted the major production and marketing problems faced by the weavers' societies; stock accumulation led to the idle investment of funds which pays unnecessary interest; the capital base of the societies was very poor, and due to that the challenges that occurred in the open market were very tough for the handloom weavers. The study also revealed the permanent debtors to the Cooptex which supply raw materials. Special grants may be sanctioned to improve the capital base of the societies. The government can open banks exclusively for weavers to provide their financial assistance.
Selvaraj and Vijayalakshmi (2009)[2] in their article entitled "Challenges of Handloom Weavers at Senthiambalam" found that a majority of the weavers are female and most of the respondents depend upon weaving to earn their livelihood. They also determined that seventy-four percent of the respondents are engaged in weaving on a full time basis. They suggested that active steps should be taken to penalize the powerloom operators manufacturing the items reserved for handlooms. They proposed that government should take steps to export handloom products from India and the handloom products should be in tune with world competitive products. They recommended that the authorities concerned should give due importance to the cooperative splint.
Thirunarayanasamy and Parmasivam (2010)[3] in their article titled *Handloom development schemes an outline* observed that the handloom sector faces stiff competition from the powerloom and mill sector and it depends on the cooperative machinery for delivering the goods. A further observation was that low

productivity due to obsolete technology, a conventional product range and stagnation of sales, and inadequate working capital are the causes of the falling show of the handloom sector. In order to overcome these drawbacks the authors expect effective state intervention by way of implementing the various developmental and welfare schemes which will be for technology support, financial assistance and market interventions.

Tangirala (2010)[4] in his article *Performance and Problems of Adarsha Handloom Weavers' Cooperative Production and Sales Society-A Case Study* expressed his opinion that a sale is a very important variable to handloom weavers' cooperative, for not piling of the stock in the godown. The sale of handloom products is based on the quality, durability, colours, designs and price. Hence every society has to take these factors into account while initiating a product. The authors identified poor wages and less profit as the reasons for the reluctance of the new members to join cooperative societies. It was found that the number of looms has been dwindling from the year 1989. A majority of that product is sold only to the APCO. It is suggested by the authors that the society should find more retail sales and attract institutional customers.

Ganesh and Dhanraj (2011)[5] in their article titled *Performance of weavers cooperative in Coimbatore district* emphasized that it should be necessary to establish an association or weavers' cooperative society in each powerloom cluster for purchase and distribution of yarn; the government should consider these activities not as sales or purchase between members and their organization and they should not be subject to VAT or Service Tax. They also originate that the powerloom weavers' cooperative societies in Coimbatore district are treated as the backbone of the textile manufacturing industry. They suggested that the success of the textile industry mainly depends on the cooperation and coordination of each and every member in the cooperatives.

Shah (2011)[6] in his article titled *Cooperatives – Suitable Agencies for Implementation of Government Schemes* said that the accountability of the state funds is best ensured by a cooperative organized as associated to other agencies implementing government schemes. Cooperatives being community based provide effective checks and balances in their functioning. At the grassroots level, cooperatives have a built in mechanism to operate cutting across a variety of barriers of caste, creed, political loyalties, and social and economic inequalities. The author concluded that cooperative organizations are capable of meeting the challenges of production, productivity, employment generation and technology transfer, particularly in rural areas.

Rao and Nagaraju (2012)[7] in their article titled *A critique on the promotion of handloom industry* pointed out that the government deserves all appreciation for designing the scheme of supplying yarn at mill gate price but the supply is short of requirements. The cost of the yarn supplied through the scheme is much higher than the market price. The authors opined that the insurance schemes appear to be a holy stick. But there are a large number of weavers yet to be enclosed and benefited. The marketing and export promotion programs need to be continuously monitored to yield benefits. The authors emphasized that joining with the Central Government, the State Government should take interest at the grassroot level to make all the programmes successful.

Jayalalitha, the Chief Minister of Tamil Nadu (2012)[8] in a press note announced that the Tamil Nadu Government would contribute to the Tamil Nadu Cooperative Handloom Weavers' Savings and Security Scheme. Since the Centre stopped its contribution towards the scheme in 2007 there was a request from weavers to the State government to reimburse the loss. Her government decided to make the contribution. She expressed that a total of 76,051 handloom weavers would benefit from the scheme and it would cost an additional amount of Rs. 5 crore per year. She suggested that the government should take earnest effort for promoting handloom fabrics.

Anilkumar Tiwary (2012)[9] in his article titled *Transparency in Management of Cooperatives* stated that the application of transparency in the management of cooperatives can be successful only if the society at all levels maintains the records promptly. He mentioned that in some cases records may be available but pertinent timely information may not be available. According to the author the transparency in the system will develop confidence among the stakeholders without any confusion and contraction. This atmosphere will ensure the role of the elected management and the professional executives will be responsible. In the era of right to information and good governance, the transparency in cooperative management will ensure strength and productivity over a period of time.

6. ANALYSIS AND INTERPRETATION

PROFILE OF THE OFFICERS

To study the opinion on any concept, it is essential to know the profile of the individuals before obtaining their views and analyzing them. Even though, the profile of the officers has many features, the present study confines itself to gender, age, marital status, educational qualification, designation and service experience.

1. Gender of the Officials

The gender is one of the important profiles of the officials, since it may have its own influence on their level of perception of the various schemes offered to the weavers. So it is included as one of the profile variables. The gender of the officials is presented in Table 1.

In total, 74.54 percent of the officials are male and the remaining 25.46 per cent of the officials are female. The analysis reveals the importance of the male officials to the present study.

2. Age of the Officials

The ages of the officials are included as one of the important profiles of the officials. The age of the officials may provide them with a wider knowledge of the various schemes offered to the weavers and also the capability to assess the worthiness of the various programmes/schemes offered to the weavers. Hence, the age of the officials is included as one of the profile variables. In the present study, the age of the officials is confined to less than 30, 30 to 40, 41 to 50 and above 50 years. The distribution of the officials on the basis of their age is given in Table 2.

The important ages of the officials in the present study are 41 to 50 years and above 50 years which constitute 45.45 and 25.45 per cent of the total respectively. The important age of the Male and Female officials is 41 to 50 years which constitutes 46.34 and 42.86 percent of its total of 41 and 14 officials respectively. The analysis reveals that the determinant age of the officials in the present study is 41 to 50 years.

3. Marital Status of the Officials

The Marital Status of the officials indicates the stage of life among them. Since the marital status of the officials may have its influence on their level of perception of various schemes offered to the weaver, it is included as one of the profile variables. The marital status of the officials is confined to married, unmarried, widow/widower and divorced. The distribution of officials on the basis of their marital status is given in Table 3.

The most dominant marital status among the officials is 'married' which alone constitutes 96.36 per cent of the total. The married officials among the male and female officers constitute 97.56 per cent and 92.86 per cent of the total respectively. The analysis shows that the dominant marital status among the officials is 'married'.

4. Educational Qualification of the Officials

It represents the level of education among the officials, since the level of education among the officials may provide them more knowledge and exposure to evaluate the various schemes offered to the weavers. The level of education of the officials is confined to upto plus two, Diploma/IT, under graduation, post graduation, professional and others. The distribution of the officials based on education is shown in Table 4.

The important level of education among the officials is Under Graduation and Post Graduation which constitute 65.45 per cent and 25.45 per cent of the total respectively. The important level of education among the male and female officials is Under graduation which constitutes 65.85 and 64.29 per cent of the total of 41 and 14 officials respectively. The analysis reveals that the important level of education among the officials is Under graduation.

5. Designation of the Officials

The designation is one of the important profiles of the officials. In the present study, the designation of the officials is confined to office staff, manager, special officer and others. The distribution of officials on the basis of their designation is exhibited in Table 5.

In total, a maximum of 45.45 per cent of the total officials are office staff. It is followed by managers who constitute 27.27 per cent of the total. The important designations among the male staff are office staff and managers which constitute 48.78 per cent and 26.83 per cent to the total respectively. Among the female officials, these are also the same which constitute 35.71 per cent and 28.57 per cent of the total respectively. The analysis reveals the importance of the office staff and managers as designations of the officials.

6. Service Experience among Officials

It represents the total service experience gathered by the officials. Since the service experience of the officials has its own influence on the level of perception of various schemes, it is included as one of the profile variables. The service experience of the officials in the present study is confined to less than 5, 5 to 10 and more than 10 years.

Table 6 shows the distribution of the officials on the basis of their service experience. The important ranges of service experience among the officials are more than 10 years and 5 to 10 years which constitute 43.64 and 43.64 percent of the total respectively. The important ranges of service experience among the male and female officers are more than 10 years and 5 to 10 years which constitute 53.66 and 50 percent of its total respectively. The analysis reveals that the service experience of the male officers is higher than the service experience of the female officers.

7. Views of Officers' on the Schemes Offered to the Weavers

The Officers' views on the various schemes offered to the weavers have also been examined in the present study in order to identify the level of their perception on various schemes for weavers among. Even though the schemes are many, the present study is confine to 36 schemes. The officers are asked to rate these schemes at the five point scale according to their order of perception on the implementation of the schemes from very high to very low. The assigned scores on these scales are from 5 to 1 respectively. The mean score of each scheme among the male and female officials has been computed separately. The 't' test has been administered to find the significant differences among the male and female officials regarding their view of the implementation of various schemes. The results are shown in Table 7.

The highly viewed schemes by the male officials are the government funds to construct own sheds for the weavers and the number of items reserved under the Handloom Product Reservation Act, 1985 since their mean scores are 3.9949 and 3.9697 respectively. Among the female officials, these are educational assistance under MGR Handloom Weavers' Welfare Trust and Free Electricity Scheme since their mean scores are 3.9226 and 3.8445 respectively. Regarding the views on the schemes, significant difference among the male and female officials has been noticed in the case of the implementation of 15 out of the 36 schemes since their respective 't' statistics are significant at the 5 per cent level.

7. FINDINGS OF THE STUDY

The researcher analysis the Profile and Attitude of Officials of the PHWCS towards the Various Schemes in Erode District. Findings from the analysis are based on the responses to the questionnaire. The various measures, steps and suggestions were considered to make all the welfare and developmental schemes more useful and successful. The suggestions presented for effective implementation are drawn not only from the analysis but also from the consolidated views of the officials concerned.

1. The majority of the officer respondents of the PHWCS is male.
2. Most of them belong to the age group of '41 to 50 years' which is common among the male and female officers.
3. The majority of them come under the 'married' category.
4. The main educational qualifications among the officers are under graduation and post-graduation.
5. The designations of the majority officers are Office Staff and Managers.
6. The majority of them have crossed above five years of service.
7. The view of officers on the various schemes for weavers has been measured with the help of 36 statements. The highly viewed schemes by the male officers are 'the government funds to construct own shed to the weavers' and 'the number of items reserved under the Handloom Reservation Act, 1985'. Among the female officers, these are Educational Assistance under MGR Handloom Weavers Welfare Trust Schemes and Free Electricity Scheme. Regarding the view on the various statements, significant differences among the male and female officers have been noticed in 15 out of the 36 statements relating to schemes.
8. The Exploratory Factor Analysis describes the 36 statements relating to eleven important schemes namely Special Schemes, Free Schemes, Rebate Schemes, Cluster Development Schemes, Pension Schemes, Technology Schemes, MGRHW Welfare Trust, Insurance Schemes, Award, Promotion Schemes and the Act of 1985.

8. SUGGESTIONS AND RECOMMENDATIONS

To make the schemes meant for handloom cooperatives viable and vibrant the following suggestions are presented. The suggestions are made in relation to the various schemes available for handloom cooperatives.

1. The very purpose of the rebate scheme is to promote sales and disbursements of unsold stock. Thereby price match is possible when compared with powerloom and mill fabrics. However, in practice, the delayed reimbursement to the extent of six months to more than one year affects the very purpose of making the handloom cooperatives more viable. In between the sales and reimbursement, the interest payment to cash credit will be higher than the benefit of the rebate. Hence, by following online and other fast track modes the reimbursement gap can be reduced to the maximum extent of one month.
2. The wages given under Free Dhoti/Saree Scheme and Free Uniform Scheme are less than the wage being given to regular produce. When the manual labour involved in both the cases is the same the discrimination in the wage payment for these two is not acceptable to the weavers. Hence, the wage payment to production under the schemes can be on par with regular production.
3. In the case of the Free Electricity Scheme the free limit is up to 100 units for two months and it is charged if the consumption is more than the limit. Because of poor physical health at old age, the time taken is more and one happens to pay more in spite of less volume of production. Hence, it is requested by the weavers that the ceiling can be raised to the extent of 250 units for two months. It will specifically benefit the senior weavers who take more time to complete the venture.

9. CONCLUSION

In this study, the researcher has logically identified the problem and carefully made analysis to evaluate the various important schemes meant for the handloom weavers. In order to examine the context properly the literature, secondary data and primary data were used appropriately. Many of the findings of this study were the outcome of careful interaction with the officials and the handloom weavers.

Finally, it is concluded that the rare occupation which gained name and fame for its craftsmanship is gradually losing its momentum. Until and otherwise follow-up actions are taken from the side of the officials and the Government the very objectives and doctrine of the cooperatives will not be fruitful. The cooperative *MANTRA* must be duly recognized by the cooperators including the weavers; it is difficult to think of its original glory. The implementations of the schemes must be as good as plans.

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TABLES

TABLE 1: GENDER OF THE COOPERATIVE OFFICIALS

Sl.No.	Gender	Number of Officials	In Percentage
1	Male	41	74.54
2	Female	14	25.44
	Total	55	100.00

TABLE 2: AGE OF THE OFFICIALS

S.No	Age (In Year)	Number of Officials		Total
		Male	Female	
1	Less than 30	3	1	4
2	30 – 40	8	4	12
3	41-50	19	6	25
4	51 and above 51	11	3	14
	Total	41	14	55

TABLE 3: MARITAL STATUS OF THE OFFICERS

S.No	Marital Status	Number of Officials		Total
		Male	Female	
1	Married	40	13	53
2	Unmarried	-	-	-
3	Widower/Widow	1	-	1
4	Divorced	-	1	1
	Total	41	14	55

TABLE 4: QUALIFICATION AMONG THE OFFICIALS

S.No	Educational Qualification	Number of Officers		Total
		Male	Female	
1	Upto Plus Two	-	-	-
2	Diploma/IT	-	-	-
3	Under Graduation	27	9	36
4	Post Graduation	11	3	14
5	Professional	3	2	5
6	Others	-	-	-
	Total	41	14	55

TABLE 5: DESIGNATION OF THE OFFICERS

S.No	Designation of the Officers	Number of Officers		Total
		Male	Female	
1	Office Staff	20	5	25
2	Manager	11	4	15
3	Special Officer	4	1	5
4	Others	6	4	10
	Total	41	14	55

TABLE 6: SERVICE EXPERIENCE AMONG OFFICERS

S.No	Experience of the Officers	Number of Officers		Total
		Male	Female	
1	Less than 5	2	5	7
2	5 to 10	17	7	24
3	More than 10 years	22	2	24
	Total	41	14	55

TABLE 7: OFFICERS' VIEWS ON VARIOUS SCHEMES

S. No	Statements	Mean Score		't' Statistics
		Male	Female	
1	Saving and security schemes ease future uncertainty of Weavers	3.8684	3.6842	0.4734
2	Old age pension schemes compensate weavers' earning after getting old	3.7371	3.1786	2.4586*
3	There is no procedural delay in getting pension	3.6082	3.5672	0.2676
4	The weavers' family pension scheme ensures enough source of Income in the family after weaver's death	3.8183	3.4107	1.3889
5	Mahatma Gandhi Benger Beema Scheme attracts the entire weaving community	3.9096	3.3396	2.1733*
6	The benefit from the Weavers' Health Insurance Scheme is very useful	3.7308	3.6509	0.3811
7	The advantage of Weavers' Health Insurance Scheme is sufficient for all types of treatment	3.6567	3.8184	-0.4029
8	The educational assistance from MGR Handloom Weavers' Welfare Trust is applicable to all courses	3.9033	3.9226	-0.1173
9	Educational Assistance from MGR Weavers' Welfare Trust for courses is sufficient	3.8667	3.7081	0.2997
10	The Number of Institutes for Handloom Technology can be increased	3.9093	3.8117	0.2144
11	Assistance to students of Indian Handloom Technology motivates them to go forward	3.6586	3.7868	-0.1789
12	Special Schemes under Golden Jubilee Village Self Employment Scheme facilitate more employment	3.7344	3.8226	-0.2334
13	Special Schemes helps Technology Upgradation	3.8919	3.6464	0.4596
14	Special Schemes Increase Sales	3.5868	3.7373	-0.4881
15	Training by Special Schemes under Golden Jubilee Village Self Employment Scheme is useful	3.6673	3.2542	0.8776
16	Rebate Scheme always promotes sales of handloom Fabrics	3.9011	3.1173	2.8991*
17	The rebate scheme sponsored by the government also serve as sales promotion	3.8969	3.2674	2.7309*
18	The reimbursement of rebate from the government is on Time	3.9249	3.1946	3.1784*
19	The quantum of rebate can be raised from the present level	3.9087	3.2767	2.9667*
20	During rebate the customers suspect quality of handloom fabrics	3.8544	3.3089	2.2388*
21	Government supports weavers through free dhoti/saree scheme regularly	3.8084	3.4541	0.9697
22	Free Dhoti/Saree Scheme gives continuous employment to weavers over several years	3.8227	3.6887	0.3996
23	Free electricity scheme can be extended to all Weavers	3.6676	3.8445	- 0.2949
24	The ceiling fixed by the government under free electricity scheme is reasonable	3.4542	3.3399	0.1988
25	Free Uniform Distribution Scheme ensures more revenues to the weavers	3.6097	3.5896	0.2099
26	Free Uniform Distribution Scheme gives regular employment	3.8661	3.7445	0.3117
27	Training under Handloom Cluster Development Scheme is helping weavers updating skills	3.9147	3.3886	2.2141*
28	Dyeing under Handloom Cluster Development Scheme is standardized	3.8848	3.2731	2.3896*
29	Government's fund to construct own loom shed under the Handloom Cluster Development Scheme is sufficient	3.9949	3.2141	2.4192*
30	The sales promotion scheme helps in promoting handloom fabrics	3.8224	3.4696	1.1454
31	Export promotion schemes facilitate the PHWCS for export	3.6544	3.7108	-0.2608
32	Monetary Award provided under the prize Award for best weaver is sufficient	3.3991	3.8646	-2.1786
33	Scheme award to best weavers encourages the Qualities	3.4882	3.7446	-0.9146
34	Best Weavers' award leads to designing of new Varieties	3.7089	3.1174	2.4547*
35	Handloom Product Reservation Act, 1985 safeguards the welfare of the Weavers	3.8224	3.0991	2.8082*
36	The number of items reserved under the Act is enough to protect the interest of weavers	3.9697	3.3898	2.3961*

***Significant at 5 per cent level**

STRATEGIC ROLE OF GOVERNMENTS IN FINANCIAL INCLUSION: A WORLD WIDE DIAGNOSIS

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ABSTRACT

The fascinating term Financial Inclusion today is about Finmarkets that serve more people with many products at a minimum cost. And even the term 'microfinance' once related almost exclusively with micro level loans to lower income people, is now increasingly used to refer to a broad array of products (including payments, savings, and insurance) tailored to meet the particular needs of low-income individuals (World bank,2012). The Governments are increasingly working on wiping out the financial exclusion, a key challenge is defining roles for government in creating the broader and interconnected ecosystem of market actors needed for safe and efficient product delivery to the poor. The present paper tries to focus on a) strategies adapted by the different economies (governments) to achieve Financial Inclusion to a substantial level. b) Success or failure of those attempts c) extent of active participation of Governments in increasing financial inclusion all over world in selected countries d) Inhibitors and facilitators of financial inclusion in different countries' governments. Based on the findings of the study, the possible strategies to be adopted by policy makers or governments are also discussed.

KEYWORDS

financial inclusion, government, ecosystems, financial exclusion.

JEL CODES

G00, G21, G28, O00.

1. INTRODUCTION

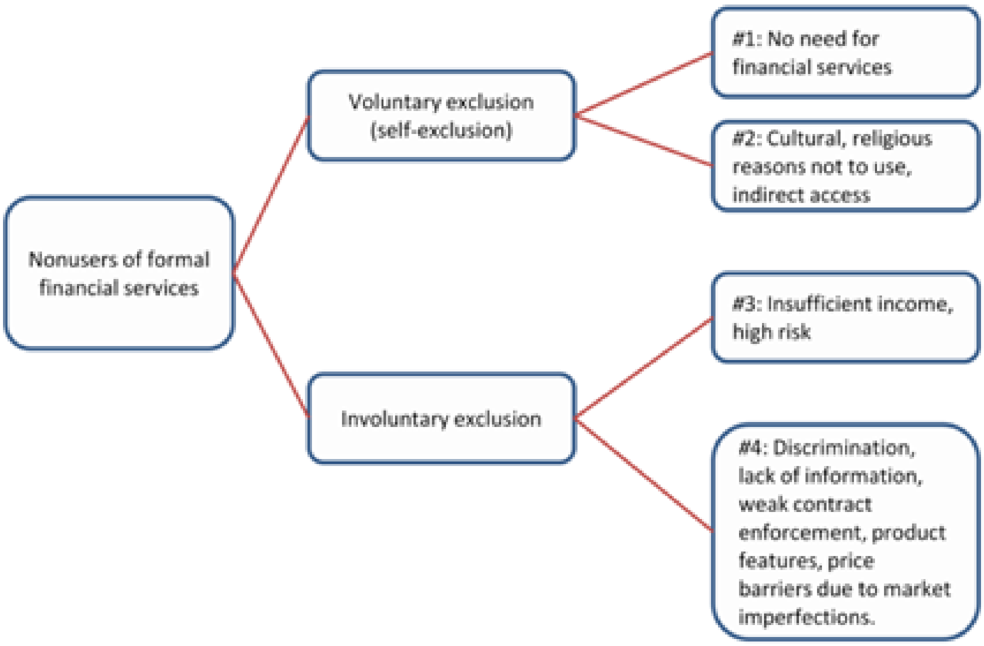
"The stark reality is that, most poor people in world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that people improve their lives."

- Former UN Secretary, General Kofi Annan

An all time access to finance by poor and vulnerable group is a prerequisite for social inclusion and poverty reduction. Financial Inclusion today is about Finmarkets that serve more people with many products at a minimum cost. And even the term 'microfinance' once related almost exclusively with micro level loans to lower income people, is now increasingly used to refer to a broad array of products (including payments, savings, and insurance) tailored to meet the particular needs of low-income individuals (World bank,2012). One of the prime objectives of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. And through graduated credit, the attempt must be to lift the poor from one level to another so that they come out of poverty.

The 2014 Global Financial Development Report (World Bank, 2014) identifies primarily four major forms of financial exclusion, which are classified into voluntary and involuntary exclusion.

FIGURE 1: FINANCIAL EXCLUSION



Source: Adopted from World Bank (2014)

In case of voluntary exclusion segment of the population or firms that choose not to use financial services mainly because they do not need those services due to the lack of promising projects 3 or because of cultural or religious reasons. Since this self-exclusion is not a direct effect of market failure, little can be done to address it. Of course, there is always room for improvement, by increasing, for example, financial literacy or encouraging the entry of specialized financial institutions that offer financial products tailored to meet cultural and religious requirements. From a macroeconomic viewpoint, this exclusion is driven by a lack of demand. In this case some individuals or firms may be involuntarily excluded from the financial system because they do not have sufficient income or, in the case of the credit markets, have an excessive lending risk profile. This type of involuntary exclusion is also not the result of market failure. A second category of involuntarily excluded entities consist of the segment of individuals and firms that are denied financial services as a result of government failures or market imperfections.

A fine definition of financial inclusion should, therefore, be closely intimated with the minimization of financial exclusion arising from market or government failures. However, distinguishing between the four categories of exclusion listed in Figure 1 is not straightforward. Information on each category may be obtained from user-side surveys, such as the World Bank's Global Financial Inclusion (Global Findex) database. However, since survey-based data are costly to collect, there is no guarantee that such data can be made available to users with a reasonable frequency.

The present paper studies about a) strategies adapted by the different economies (governments) b) Success or failure of those attempts c) extent of active participation of Governments in increasing financial inclusion all over world in selected countries d) Inhibitors and facilitators of financial inclusion in different countries' governments. The sources being World Bank reports and some expert's opinions, RBI reports, journals and Newspaper articles etc.

2. BACKGROUND OF THE RESEARCH

Financial inclusion strategies are considered as road maps of actions, agreed and defined at the national or sub national level that stakeholders follow to achieve financial inclusion objectives (*Financial inclusion strategies, reference framework, by world bank for G20 mexico,2012*). An effective implementation of financial inclusion especially in entire economy requires lot of strategies. Strategies coordinate efforts with the main stakeholders, convince responsibilities among them, and give clarity in planning of resources by, for example, clarity of definition and prioritizing tasks in FI. An effective and efficient strategy in fact promotes lot many required things and there from helps to achieve the targeted goals.

Today world over countries are committing to improving access to and usage of financial services, informed by a fast growing body of country experience and knowledge. While more than 60 countries have introduced reforms to stimulate an expansion of financial inclusion in recent years, there is an increasing emphasis on a comprehensive approach with a sequenced package of reforms conducted by a range of relevant actors, leading to more significant improvements in financial inclusion that are beneficial for new consumers (World Bank Data, 2014).

As per recent data declared by different economies to world bank governments from more than 20 countries have made financial inclusion commitments under the "Maya Declaration,"[1] to a) enable a new technology and create a conducive environment that increases access and lowers the cost of financial services b) integrate, stabilize and set an appropriate regulatory frame work that balances financial inclusion c) integrate consumer protection and empowerment as a pillar of financial inclusion; and iv) in order to utilize the data available keep an eye on results there on.

[1] Maya declaration, http://www.afi-global.org/gpf/maya-declaration

3. RESEARCH METHODOLOGY

3.1 LOCATION AND SAMPLING

The study is considering 15 countries of different continents. For strategies aspect few selected governments were only discussed in detail and the sources being world bank reports, CGAP scholarly articles, Little data books on FI by world bank and Many international publications including financial inclusion data books published by world bank in association with experts of world.

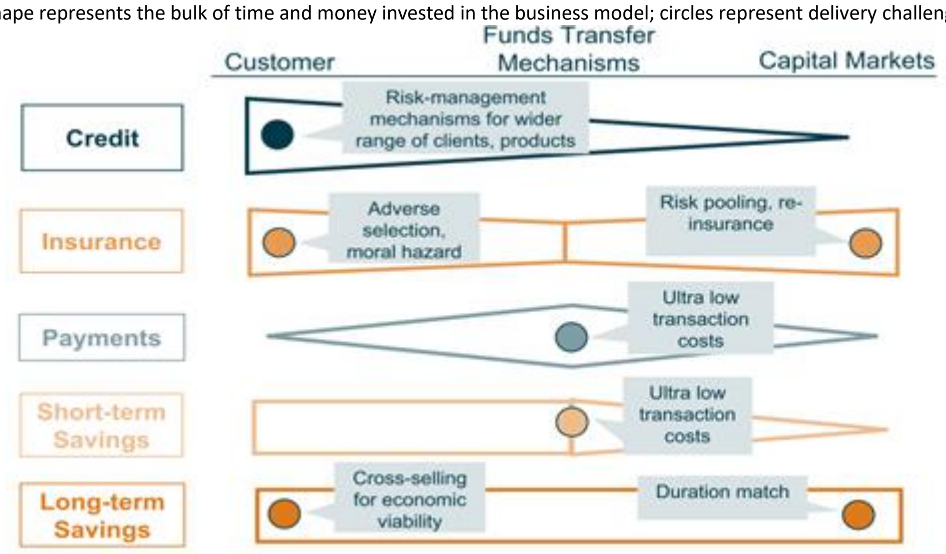
The analysis of data is made mainly considering the efforts of governments in bringing financial services deprived area/people to the mainstream. Opinion of the experts in the field is also considered while coming to any conclusion regarding each aspect. In a nutshell, all facets of strategies of different governments are keenly studied and been analyzed in preparing the paper.

4. CHALLENGES AND STRATEGIES FOR ACHIEVING FINANCIAL INCLUSION BY DIFFERENT ECONOMIES

4.1 An estimated 2.7 billion adults worldwide do not have credit, insurance, or savings with a bank or other formal institution (CGAP and World Bank 2010). Governments are working hard on achieving financial inclusion. The problem of financial inclusion mostly confines to developing and under developed economies of the world. The now well-known study presented in Portfolios of the Poor Bangladesh, India, and South Africa use on average eight different kinds of savings, insurance, payment, and credit instruments throughout the year (Collins, Murdoch, Rutherford, and Ruthven 2009). In Bangladesh, one-third of households use more than 10 instruments, passing more than US$1,000 through them throughout the year (per capita gross domestic product is estimated at $1,700). Many instruments are used, put aside, and then taken up anew at a later time. In India, for example, the average low-income household enters a fresh financial arrangement every two weeks. And most financial instruments are informal—i.e., they are not offered by a financial services provider with a recognized legal status. [*formal" financial services, although all presuppose at least a minimum threshold that the provider should have a recognized legal status. this includes entities (and, in some countries, even some individuals) with widely varying regulatory attributes, subject to differing levels and types of external oversight (CGAP 2011b).*]

FIGURE 2: COMMERCIAL CHALLENGES FOR PROVIDERS OF DIFFERENT FINANCIAL PRODUCTS

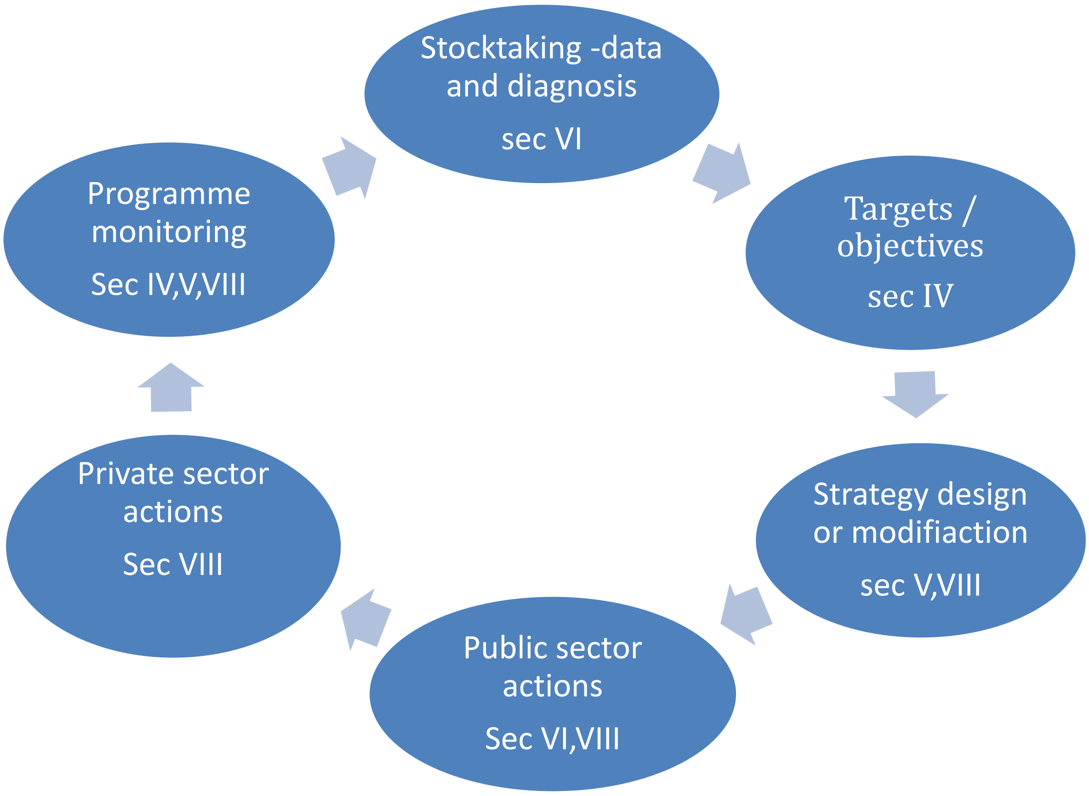
Shape represents the bulk of time and money invested in the business model; circles represent delivery challenges



Source: world bank report, focus note, No. 76. February 2012

4.2 The recommended world bank strategies on financial inclusion considering some major countries is been analyzed as below -

FIGURE 3: FINANCIAL INCLUSION STRATEGY COMPONENTS



Source: world bank report, focus note. June 2012

TABLE 1: FINANCIAL INCLUSION STRATEGY COMPONENTS: OVERVIEW OF MODELS AND EXAMPLES

COMPONENT, SECTION OF THIS FRAMEWORK	POTENTIAL COUNTRY COMMITMENT	MODELS	COUNTRY EXAMPLES
Data and Diagnostics, Targets/Objectives, Progress Monitoring Sections IV, V, VIII Stock-taking to inform strategy and targets, and to monitor targets and evaluate progress	Collect data, formulate indicators, synthesize recommendations and insights from diagnostics, align targets and broader objectives.	Regulator/, Household/ Enterprise Surveys, Financial Inclusion & Responsible Finance diagnostics	Data: South Africa (FinScope, Financial Consumer Protection report), Kenya (National Financial Access Survey), India (National Sample Surveys) Peru (Financial Literacy Survey), Mexico (comprehensive data approach)
	Align targets for financial inclusion indicators, and broader objectives, and monitor progress toward achieving them.	G20 basic financial inclusion indicators, supplemented by tailored national indicators	Financial regulators increasingly track financial inclusion indicators, e.g., SBS Peru, RBI India.
Strategy-Building, strategy-revision Sections III, V, VIII Strategy design or modification, institutional structure to support the strategy	Develop or update a strategy document, whether as a standalone document or as a component of a broader financial sector strategy. With buy-in government, regulators, financial sector.	Charters, strategies, action plans, components of financial sector strategies.	Indonesia (Financial Inclusion Strategy), Kenya (Financial Access Partnership), South (Financial Sector Charter)
	Put in place a cross-agency coordination structure for supporting and ensuring strategy implementation.	National platform for coordinating financial inclusion (e.g., council, task force). A dedicated financial inclusion unit in regulator or ministry of finance can also lead reforms.	Brazil, Mexico (Financial Inclusion Council), Indonesia, United Kingdom (Financial Inclusion Taskforce), India (Committee on Financial Inclusion, 2008; Taskforce on MSMEs, 2010)
	Ensure that adequate regulatory and supervisory capacity is in place to implement and monitor reforms and to ensure that financial inclusion does not lead to instability or to harmful consumer impacts.		
Public Sector Actions: Policy, Regulation, Financial Infrastructure Section VI	Commit to introducing policy and legal reforms, and to developing financial infrastructure, in order to promote responsible financial inclusion (consistent with financial integrity and stability priorities), and enable/stimulate the needed financial sector response	Banking agent regulation	India, Brazil, Kenya, Mexico
		Payments systems development, to underpin electronic transactions, use of technology	-----
		Regulation simplifying procedures for access to finance	India (special provisions in Know Your Customer guidelines, no-frills accounts), Pakistan, Colombia, Mexico
		Legislation allowing alternative financial products/ services, and e-money	Indonesia (Islamic finance and development of Sharia banking policies) Jordan (leasing law, secured transactions and land registration reforms) Philippines (e-money models, including bank and non-bank)
		Promote development of market- infrastructure (national IDs, national switches, credit information systems)	India (UIDAI)
		Channel social payments (e.g., benefits), wages, and procurement through financial accounts	Brazil (Bolsa Familiar) Mexico (Oportunidades) India (Bihar, health payments) www.cgap.org/gm/document-1.9.56703/FN76.pdf
		Financial literacy and consumer protection initiatives	Brazil (consumer framework) Peru (financial literacy programs to teachers, virtual classroom website) India (financial literacy project launched by RBI)
Private Sector Actions Section VII	Financial institutions respond to targets and to the improved enabling environment and introduce products, delivery mechanisms, and processes that significantly and responsibly expand financial inclusion.	Accessible financial accounts for savings/payments	Brazil, Canada, India, Indonesia (Tabunganku), Mexico, South Africa (Msanzi accounts), United Kingdom, European Union
	Development of viable business models for low-income customers is key. Current business models still limited.	Mobile banking products that provide access to a broad range of financial services	Still being developed – several high-profile examples and a fast-evolving area, e.g., Kenya, Tanzania, Haiti
		Microfinance through retailer networks, SME finance through the supply chain (also factoring)	Mexico (NAFIN, Bancomer, Banorte, OXXO)
Implementation Support Framework Section VIII	Where demanded, donors and technical partners can provide technical assistance, data, financing, and other forms of support to the design and implementation of financial inclusion strategies.	Technical assistance, data and analysis, financing, risk-sharing, risk assessment on financial integrity, capacity-building	Extensive support provided, but nevertheless gaps and challenges remain. Comprehensive packages of support could be designed in parallel with financial inclusion strategy design.

4.3 Though we couldn't give panacea as for as the problem of financial inclusion is speaking yet we may say that financial strength and consumer protection can be components of an effective financial inclusion strategy. It goes without saying that with an increase in financial services both new customers, and can make well-informed decisions about how best to manage and use financial services. In addition, since new providers and delivery mechanisms open up scope for consumer fraud and abuse, proper consumer protection frameworks should be in place. Measures to strengthen consumer protection frameworks and enforcement, and to raise financial consumer awareness and capability, need to be introduced alongside or as of financial inclusion strategies. Responsible financial inclusion can lead to stronger positive and lower risks at the individual, firm, financial institution, financial sector, and economy levels. Where consumers are not well protected or unable to make informed decisions about any type of financial service, or where products or institutions are not well monitored, the impacts of financial inclusion can be reduced or even negative. This was clearly illustrated by the subprime housing loan crisis in the United States, the recent payments protection insurance scandal in the United Kingdom, and microcredit repayment crises in India, Morocco, and elsewhere. Consumer protection and financial capability can be incorporated as pillars of financial inclusion strategies, as "responsible" financial inclusion strategies, or in parallel. In the case of Brazil, its National Strategy for Financial Education (ENEF) promotes financial education activities that extend beyond financial inclusion, such as preparing consumers at all income levels for complex financial decisions that they are required to make, such as retirement planning. Brazil's strategy is a public-private partnership among four national financial system regulators and supervisors; five ministries and state secretariat; national, state, and municipal education bodies; and nongovernmental entities. Peru's Financial Inclusion Strategy, on the other hand, promotes actions toward greater access and usage of financial products and services, complemented with strong consumer protection and financial literacy components, to help new clients develop the capacity to make informed and responsible financial decisions, reducing the negative effects from potential abuses by financial service providers.

5. CONCLUSION

Consensus about the solution to the problem of financial exclusion is not a simple task and it is obvious that one cannot come to any conclusion in one go in this case. But no doubt novel notions, models and incessant efforts by the different economies (Both the private and public sector) will say 'bingo' one day in this case.

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ANALYZING PRACTICES OF MANAGING RISK IN MICRO FINANCE INSTITUTIONS USING PRINCIPAL COMPONENT ANALYSIS – A CASE OF TELANGANA STATE

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ABSTRACT

Micro finance in India is again on a path of steady growth and is facing new challenges. The main challenge of microfinance is to create social benefits and promote low income households by providing financial services without any suitable guarantees. It is in this context that the issue of risk management in microfinance institutions becomes highly relevant. CRISIL estimates that around 120 million households in India continue to face financial exclusion translation into a credit demand around Rs. 1.2 billion. Indian micro finance sector was a world leader few years ago. However, the sector faced a severe crisis and witnessed mass default by some borrowers in the year 2010. This study used an exploratory research design with the main objective of identifying factors/ components contributing towards management of risk in MFIs in Telangana state of India. Accordingly, this study conducted a Principal component analysis and identified 6 factors that address risk management. Study was conducted using a pilot tested questionnaire addressed to Managers, risk officers and executives from 6 MFIs in Telangana state.

KEYWORDS
risk management, micro finance, micro credit.

JEL CODE
G21

1. INTRODUCTION
The concept of micro credit was first formalized by Dr. Muhammed Younus in 1976 in Bangladesh. Ever since most developing economies are looking microfinance as a means to alleviate poverty. The main challenge of microfinance is to create social benefits and promote low income households by providing financial services without any suitable guarantees. It is in this context that the issue of risk management in microfinance institutions becomes increasingly relevant.

The microfinance market currently faces a trend towards “commercialization” which is a broad term used to refer to the application of market-based business principles to microfinance. This is usually associated with a MFI’s development away from donor or subsidized funding towards commercial borrowing of debt and equity (**Frank, 2008**). MFIs are moving towards commercialization exposing them to various types of risk.

Crisil estimates that around 120 million households in India continue to face financial exclusion translation into a credit demand around Rs. 1.2 billion. Indian micro finance sector was a world leader few years ago. However, the sector faced a severe crisis and witnessed mass default by some borrowers in the year 2010. It is also observed that sector’s outreach and loan portfolio had drastically dropped. However, once again there is a steady growth again in this sector. In order to ensure that the current upsurge in the sector does not go 2010-11 way, it is essential to learn from earlier experiences. It is with this observation the researcher focused on risk management practices

2. REVIEW OF LITERATURE
In the study titled” **An Appraisal of Risk Management Practices of Microfinance Institutions in Ghana”** conducted by **Akwasi A. Boateng & Gilbert O. Boateng (2014),** It was discovered that the barriers to microfinance institutions success includes numerous and varied obstacles. Studies conducted confirmed microfinance institutions managements are ignorant pertaining to the risks their organizations face with risk management techniques deployed reactively and ineffectively. By embedding a structured approach to enterprise risk management within MFIs, potential benefits such as reducing the over-management of risks and organizational alignment towards the microfinance institution’s mission can be realized. This study used secondary data sources for drawing these conclusions.

Rosman (2009) has proposed a research framework on RMPs and the aspects of risk management processes. This framework observes the relationship between RMPs and the four aspects of risk management process i.e.: (1) Understanding risk and risk management (URM). (2) Risk identification (RI). (3) Risk analysis and assessment (RAA) (4) Risk monitoring (RM). This framework has been extensively used in several studies.

The study titled “Banks risk management: A comparison of UAE national and foreign banks” by, **Hussein A. Hassan Al-Tamimi & Faris Mohammed Al-Mazrooei (2007)** tried to examine the degree to which UAE banks use risk management practices and techniques in dealing with different types of risk. This study has used Cronbach's alpha, descriptive statistics, regression analysis and one-way ANOVA.

A close analysis of literature reveals that there are several studies conducted in banking and other financial areas in risk management practices (Akwasi et.al (2014), **Seyram Pearl et.al, (2014), Hussien & Faris (2007), Hassan (2007),** and very few on risk management in microfinance sector**.** Similarly, there are several studies conducted relating to microfinance institutions, however most of these studies are concentrated around outreach, sustainability and profitability (**Berhanu (2007), Alemayehu (2008) Letenah (2009) Aklilu (2002) Gashaw Tsegaye Ayele (2014) Borchgrevink and et. al (2005)).** These studies examined performance of MFIs with little or no indication of risk involved and strategies adopted, there are several other studies such as **Yonas (2012), Sima (2013), Melkamu (2012)** all examining outreach and financial performance but none about risk management practices of microfinance institutions. Moreover, most of these studies are master’s thesis with limited scope.

Thus, to surmise there are several studies focused on the risk management practices of commercial banks and other financial institutions Similarly a number of studies have been conducted on outreach, sustainability and financial performance of microfinance institutions.

3. METHODOLOGY FOLLOWED IN THIS STUDY
This study used an exploratory research design as it attempts to investigate the practices of risk management adopted by micro finance institution in India, especially those headquartered in Telangana state

The main objective of this study is to investigate the risk management practices of microfinance institutions in India, especially of those that are headquartered in Telangana state.

The study has the following specific research objectives

3.1 RESEARCH OBJECTIVES & HYPOTHESIS
1. To examine the practices of risk management adopted by micro finance institutions.
2. To identify the best practices used in managing risk
3. To classify practices of risk management in Telangana state

3.2 POPULATION OF THE STUDY AND SAMPLE FOR THE STUDY

The population of the study includes all microfinance institutions existing in India and there are 268 MFI as per the **directory of microfinance institutions (2014)** This study intended to use all the microfinance institutions that are located in the state of Telangana. Accordingly, there were 11 microfinance institutions head-quartered in the state of Telangana.

The respondents of the study were expected to be drawn from

1. Asmitha Microfin Ltd.(NBFC)
2. Aware Macs Ltd.(Cooperative)
3. Bhartiya Samruddhi Finance Ltd(Basix) (NBFC)
4. Development Organization for Village Environment (DOVE)(Society)
5. Indur Intideepam Macs Federation Ltd.(Cooperative)
6. Pragathi Seva Samithi Macs Federation(Cooperative)
7. Share Microfin Ltd.(NBFC)
8. SKS Microfinance Ltd.(NBFC)
9. Spandana Sphoorty Financial Ltd.(NBFC)
10. Swaws Credit Corporation India Pvt. Ltd.(NBFC)
11. Trident Microfin Pvt. Ltd.(NBFC)

An initial study of the microfinance sector in Telangana has revealed that post 'Andhra Pradesh microfinance crisis of 2011' most MFIs have either reduced their microfinance business or else have completely moved to other lines of finance. Only Asmitha Microfin Ltd. (NBFC) Bhartiya Samruddhi Finance Ltd (Basix) (NBFC), Pragathi Seva Samithi Macs Federation(Cooperative), Share Microfin Ltd. (NBFC), SKS Microfinance Ltd. (NBFC), Spandana Sphoorty Financial Ltd.(NBFC) are currently into microfinance business.

Further the researcher included 10 managers, 20 credit/loan manager/officers and 10 executives from all the sample MFIs. The manager, credit officer and executives were randomly selected to become a part of the study. This study used purposive random sampling

3.3 DATE SOURCES AND ANALYSIS

The study used both primary and secondary data sources. Primary data was collected from managers, risk management officers and some selected senior officers of the designated microfinance institutions. For the purpose of collecting primary data a comprehensive questionnaire consisting of 20 questions, using a likert like scale (ranging from 1 upto 5 for strongly disagree to strongly agree) was used. In order to support finding of the primary data secondary data sources such Directory of Microfinance institutions (MFIs) in India**,** Reserve bank of India reports, Crisil agency reports and other documents were also used as needed. This study conducted a principal component analysis to identify factors/ components that contribute in identifying practices of risk management in Telangana state. SPSS IBM 23 version was used to conduct factor analysis and the results of factor analysis are presented in the following sections.

4. ANALYSIS AND RESULTS

In this study data relating to 20 specific questions was collected regarding the various problems that are encountered by export oriented garment factories. Data was collected on a Likert like scale of 1 to 5(1 = strongly disagree; 2 = disagree; 3 – neither agree nor disagree; 4 = agree and 5 = strongly agree). In order to facilitate essay descriptive analysis each question is coded as Q1, Q2 and so on. In addition to this a description of each question is also provided.

4.1 DESCRIPTIVE STATISTICS

In the following section a brief summary of descriptive statistics is provided. Mean, and standard deviation of each question is calculated. This gives an initial understanding regarding 20 questions poised to the respondents Showing descriptive statistics of practices risk management of MFIs.

TABLE 1 (N =240)

	Variable	Mean	Std. Dev
Q1	Common understanding of risk management	3.63	.964
Q2	All employees are aware of importance of managing risk	3.26	1.211
Q3	All employees are aware of the various categories of risk facing the MFI	2.75	.971
Q4	Management of risk has to be treated as a separate function with an independent risk manager.	4.21	.829
Q5	Responsibility for risk management is clearly set out and understood throughout the MFI	3.31	1.167
Q6	Accountability for risk management is clearly set out and understood throughout the MFI	3.58	.952
Q7	Risk manager is identified and he is fully aware of his responsibilities	3.97	.944
Q8	Managing risk is important to the performance and success of the MFI	4.76	.507
Q9	It is crucial to apply the most sophisticated techniques in risk management	3.48	1.135
Q10	MFI has the objective to use advanced risk management techniques	3.92	.755
Q11	It is important for MFI to emphasize on the continuous review and evaluation of the techniques used in risk management	4.53	.720
Q12	Applications of risk management techniques reduce costs or expected losses	4.61	.596
Q13	The MFI carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives	3.61	.856
Q14	The MFI is able to identify the risks it faces finds it easy to prioritize its main risks	3.86	.580
Q15	Changes in risk are recognized and identified with the MFI's roles and responsibilities	3.55	.775
Q16	The MFI is aware of the strengths and weaknesses of the risk management systems of other MFIs	3.43	.921
Q17	The MFI is aware of the risks that other MFIs are dealing with	3.33	.820
Q18	Concentration of MFI's funds in one specific sector of the economy is risky	4.35	.608
Q19	MFI has sufficient capital to deal with risk	2.85	1.328
Q20	level of risk management practices of this MFI are excellent	3.04	1.292

4.2 ASSESSMENT OF THE SUITABILITY OF THE DATA FOR FACTOR ANALYSIS

There are two main issues to consider in determining whether a particular data set is suitable for factor analysis: sample size, and the strength of the relationship among the variables (or items).

4.2.1 Justification of sample size - While conducting factor analysis where there are no hypotheses testing, sample size is still an important issue for evaluation. Nunnally (1978) recommended that at least 10 subjects per variable are necessary to reduce sampling errors. Comrey and Lee (1992) offered the following guidelines for adequate sample sizes: 100 = poor, 200 = fair, 300 = good, 500 = very good, 1000 or more = excellent. Gorsuch (1983) recommended that N should be at least 100. A number of researchers have concluded that an adequate sample size is dependent on other aspects related to the nature of the data and the factor loadings.

4.2.2 Correlation Matrix and KMO (Kaiser–Meyer–Olkin) and Bartlett's test - The second issue to be addressed concerns the strength of the inter-correlations among the items. Tabachnick and Fidell recommend an inspection of the correlation matrix for evidence of coefficients greater than.3. If few correlations above this level are found, then factor analysis may not be appropriate. Two statistical measures are also generated by SPSS to help assess the factorability of the data: Bartlett's test of sphericity (Bartlett, 1954), and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (Kaiser, 1970, 1974). The Bartlett's test of sphericity should be significant ($p<.05$) for the factor analysis to be considered appropriate. The KMO index ranges from 0 to 1, with.6 suggested as the minimum value for a good factor analysis (Tabachnick & Fidell, 2001).

TABLE 2: CORRELATION MATRIX

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11	Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20
Q1	1.000																			
Q2	.700	1.000																		
Q3	.793	.733	1.000																	
Q4	.413	.307	.296	1.000																
Q5	.647	.543	.506	.385	1.000															
Q6	.600	.445	.422	.400	.902	1.000														
Q7	.223	.490	.170	.393	.601	.513	1.000													
Q8	.358	.279	.208	.658	.013	.078	.222	1.000												
Q9	.552	.566	.603	.195	.630	.569	.240	-.116	1.000											
Q10	.365	.225	.273	.122	.481	.667	-.050	-.150	.369	1.000										
Q11	-.009	-.075	.147	-.121	.055	.115	-.039	-.053	.042	.144	1.000									
Q12	-.171	-.177	-.236	-.129	-.276	-.244	-.139	.220	-.246	.002	.064	1.000								
Q13	.756	.657	.514	.424	.726	.762	.338	.267	.614	.519	-.121	-.118	1.000							
Q14	.485	.653	.502	.522	.601	.486	.711	.145	.525	.050	-.315	-.155	.531	1.000						
Q15	.558	.404	.446	.451	.782	.750	.377	.172	.603	.257	.039	-.401	.639	.419	1.000					
Q16	.150	-.048	-.108	-.086	.082	.238	-.005	.190	-.250	.298	-.116	.339	.191	-.078	.049	1.000				
Q17	.201	.150	-.022	.317	.379	.385	.358	.337	.112	.078	-.338	.156	.349	.332	.378	.620	1.000			
Q18	.091	.376	.121	.302	.201	.130	.696	.281	-.009	-.411	-.012	-.137	.117	.551	.255	.103	.344	1.000		
Q19	.040	.228	.086	-.122	.463	.250	.527	-.459	.335	-.017	.051	-.319	.042	.467	.192	-.179	-.031	.248	1.000	
Q20	.495	.668	.505	.313	.778	.653	.725	-.089	.750	.192	-.049	-.334	.619	.805	.619	-.196	.214	.463	.616	1.000

Source: Researcher's own computation from primary data sources

Table 2 shows the correlation matrix of 20 items used in this study. It is observed that 17 out of 20 items correlated with at least one other item with a correlation of more than 0.3 suggesting reasonable factorability.

4.3 KMO (Kaiser-Meyer-Olkin) AND Bartlett's TEST RESULTS

TABLE 4: KMO AND Bartlett's TEST RESULTS

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.594
Bartlett's Test of Sphericity	Approx. Chi-Square	6203.819
	df	190
	Sig.	.000

Source: Researcher's own computation from primary data sources

Table 4 shows the KMO (Kaiser-Meyer-Olkin) and Bartlett test results. The Bartlett's test of sphericity is significant in this case with p = 0.000 ($p<0.05$) and factor analysis is considered appropriate. Further KMO index is at.594, though not 0.6, it is approaching 0.6 (at 0.594) therefore minimum value for good factor analysis is achieved. As the data of this study passes both KMO and Barlett tests, Factor analysis can be proceeded with.

4.4 DETERMINING THE METHOD OF FACTOR ANALYSIS

The two basic approaches are principal components analysis and common factor analysis. In principal components analysis, the total variance in the data is considered. Principal components analysis is recommended when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for use in subsequent multivariate analysis. The factors are called principal components. [Malhotra & Birks (2007)]. Therefore, in this study Principal Component method of factor analysis is used.

4.5 RESULTS OF PRINCIPAL COMPONENT ANALYSIS

The results of principal component matrix are explained in terms of communalities, total variance explained and Rotated component matrix.

4.5.1 Communalities - Communality is the amount of variance a variable share with all the other variables being considered. This is also the proportion of variance explained by then common factors. [Naresh and Birks (2007)]. As per table 5 showing communalities, it can be seen that initial values are 1.00 with all extraction values exceeding 0.3 confirming that each item shared some common variance with other items.

TABLE 5: SHOWING COMMUNALITIES

Item no.	Item Description	Initial	Extraction
Q1	Common understanding of risk management	1.000	.832
Q2	All employees are aware of importance of managing risk	1.000	.848
Q3	All employees are aware of the various categories of risk facing the MFI	1.000	.831
Q4	Management of risk has to be treated as a separate function with an independent risk manager.	1.000	.786
Q5	Responsibility for risk management is clearly set out and understood throughout the MFI	1.000	.920
Q6	Accountability for risk management is clearly set out and understood throughout the MFI	1.000	.947
Q7	Risk manager is identified and he is fully aware of his responsibilities	1.000	.873
Q8	Managing risk is important to the performance and success of the MFI	1.000	.911
Q9	It is crucial to apply the most sophisticated techniques in risk management	1.000	.752
Q10	Your MFI has the objective to use advanced risk management techniques	1.000	.787
Q11	It is important for your MFI to emphasize on the continuous review and evaluation of the techniques used in risk management	1.000	.962
Q12	Applications of risk management techniques reduce costs or expected losses	1.000	.690
Q13	The MFI carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives	1.000	.827
Q14	The MFI is able to identify the risks it faces finds it easy to prioritize its main risks	1.000	.876
Q15	Changes in risk are recognized and identified with the MFI's roles and responsibilities	1.000	.801
Q16	The MFI is aware of the strengths and weaknesses of the risk management systems of other MFIs	1.000	.832
Q17	The MFI is aware of the risks that other MFIs are dealing with	1.000	.817
Q18	It is too dangerous to concentrate MFI's funds in one specific sector of the economy	1.000	.834
Q19	MFI has sufficient capital to deal with risk	1.000	.823
Q20	Overall, I consider the level of risk management practices of this MFI to be excellent	1.000	.940

Source: Extraction Method: Principal Component Analysis. (Researchers Computation)

4.5.2 Total variance explained - The total variance explained matrix is provided under table 6. The number of factors to be considered is based on Eigen values. Eigen values greater than 1.0 are retained; the other factors are not included in the model. An eigen value represents the amount of variance associated with the factor. Hence, only factors with a variance greater than 1.0 are included. Determination of factors may also be based on percentage of variance. In this approach, the number of factors extracted is determined so that the cumulative percentage of variance extracted by the factors reaches a satisfactory level. It is recommended that the factors extracted should account for at least 80% of the variance. Considering both the approaches it is found that 6 components can be extracted where the Eigen values are exceeding 1 and at the same time 84.43% of variance explained.

TABLE 6: TOTAL VARIANCE EXPLAINED

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Var	Cum %	Total	% of Var	Cum %	Total	% of Var	Cum %
1	7.796	38.982	38.982	7.796	38.982	38.982	4.141	20.703	20.703
2	2.613	13.065	52.047	2.613	13.065	52.047	3.914	19.571	40.274
3	2.457	12.283	64.330	2.457	12.283	64.330	3.356	16.780	57.054
4	1.764	8.818	73.147	1.764	8.818	73.147	2.172	10.860	67.914
5	1.161	5.804	78.952	1.161	5.804	78.952	1.946	9.730	77.645
6	1.097	5.483	84.435	1.097	5.483	84.435	1.358	6.790	84.435
7	.800	3.999	88.433						
8	.602	3.009	91.442						
9	.403	2.017	93.460						
10	.346	1.731	95.190						
11	.261	1.303	96.494						
12	.205	1.024	97.518						
13	.154	.770	98.288						
14	.131	.653	98.941						
15	.083	.415	99.356						
16	.054	.268	99.624						
17	.030	.149	99.774						
18	.024	.121	99.895						
19	.015	.077	99.971						
20	.006	.029	100.000						

Extraction Method: Principal Component Analysis.

Further identified component 1 explains 38.98% of variance, Component 2 explains 13.06% of variance, component 3 explains 12.28% of variance, Component 4 explains 8.81% of variance, Component 5 explains 5.8 %, Component 6 explains 5.48. Thus a total cumulative 84.43 % of the variance is explained by these 6 components or factors.

4.5.3 Rotated component matrix - Although the initial or unrotated factor matrix indicates the relationship between the factors and individual variables, it seldom results in factors that can be interpreted, because the factors are correlated with many variables. Through rotation, the factor matrix is transformed into a simpler one that is easier to interpret. Table 7 shows the Rotated component matrix using Varimax rotation matrix.

TABLE 7: ROTATED COMPONENT MATRIX

	Component					
	1	2	3	4	5	6
Q1	**.893**	.310				
Q2	**.796**	.400	.348			
Q3	**.773**					
Q4	**.664**		-.391			
Q5	.618	**.606**				
Q6		**.857**				
Q7		**.839**	.337			
Q8	.407	**.770**				
Q9	.466	**.650**				
Q10			**.879**			
Q11			**.874**			
Q12		.544	**.648**			.327
Q13	.453	.525	**.603**			
Q14				**.902**		
Q15.	.332			**.730**		
Q16			.583	**.620**		
Q17					**.849**	
Q18	-.349				**.735**	
Q19	.415		.338		**.532**	.415
Q20						**.975**

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

Component 1 up to 6 are identified from table 8, A closer look at table 8 reveals the following factors.

TABLE 8: SHOWING FACTORS IDENTIFIED WITH CORRESPONDING QUESTIONS

Factors/ Component	Questions included in Factors/ Components
1	Q1,Q2,Q3,Q4
2	Q5,Q6,Q7, Q8, Q9
3	Q10, Q11,. Q12, Q13
4	Q14, Q15, Q16
5	Q17, Q18, Q19
6	Q20

Source: Researcher's own computation from SPSS output

Therefore, Factor 1 has high coefficients for Q1, Q2, Q3, Q4, Factor 2 has high coefficients for Q5, Q6, Q7, Q9, while Factor 3 has for Q10, Q11, Q12, Q13, Factor 4 for Q14, Q15, Q16, Factor 5 for Q17, Q18, Q19, and Factor 6 for Q20

5. CONCLUSION

A closer observation reveals that Factor 1 up to Factor 5 explain about 80% of the total variance and therefore, Factor 6 may be ignored at this point as only one item is included in this factor.

TABLE 9: LATENT FACTOR DESCRIPTION

Factor	Questions Grouped
Factor 1	Common understanding of risk management (Q1) All employees are aware of importance of managing risk (Q2) All employees are aware of the various categories of risk facing the MFI (Q3) Management of risk has to be treated as a separate function with an independent risk manager. (Q4)
Factor 2	Responsibility for risk management is clearly set out and understood throughout the MFI(Q5) Accountability for risk management is clearly set out and understood throughout the MFI(Q6) Risk manager is identified and he is fully aware of his responsibilities(Q7) Managing risk is important to the performance and success of the MFI(Q8) It is crucial to apply the most sophisticated techniques in risk management(Q9)
Factor 3	MFI has the objective to use advanced risk management techniques(Q10) It is important for MFI to emphasize on the continuous review and evaluation of the techniques used in risk management(Q11) Applications of risk management techniques reduce costs or expected losses(Q12) The MFI carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives(Q13)
Factor 4	The MFI is able to identify the risks it faces finds it easy to prioritize its main risks (Q14) Changes in risk are recognized and identified with the MFI's roles and responsibilities(Q15) The MFI is aware of the strengths and weaknesses of the risk management systems of other MFIs(Q16)
Factor 5	The MFI is aware of the risks that other MFIs are dealing with(Q17) Concentration of MFI's funds in one specific sector of the economy is risky(Q18) MFI has sufficient capital to deal with risk(Q19)
Factor 6	level of risk management practices of this MFI are excellent(Q20)

Source: Researcher's own computation from SPSS output

Thus this study establishes that practices of risk management can be divided into 6 factors, or in other words six components/ factors are identified in this study. Further research is possible to establish a relationship between these components in addressing risk management in general

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TO ANALYSE THE EFFECTIVENESS OF E-NEGOTIATION WITH FACE-TO-FACE NEGOTIATION

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ABSTRACT

The Negotiation during procurement of Raw-material, capital goods or consumable in manufacturing sector is the process of formal communication to fix the Prices & other terms and conditions of a product intended to purchase, either sitting Face-to-Face or dealing via electronic means, where two or more people come together to seek mutual agreement about the intensions of Purchase of a product in discussion. We use Internet for electronic media such as email, texting and instant messaging which has the potential to change the effectiveness of a negotiation. It is also termed as information and communication technologies (ICTs). The advantage of E-Negotiation is that the negotiator can read the email communication before responding. However, it is more difficult to establish cordial and cooperative relationship electronically. In Face-to-Face Negotiation communication between two or more parties takes place with physical presence at a predetermined location to take and accept a decision on mutual agreed conditions. Here the communication has a personal touch and the Psychologists and behavioural scientists have long known that facial expressions, hand gestures, voice tone and the like provide more clues to listeners than the words themselves. Larger Face-to-Face meetings are trade shows, Product Exhibition, conferences have been always with a well-defined purpose and a commitment to quantifying results. The purpose of this paper is to Analyse the Effectiveness of E-Negotiation which has caused a move away from Face-to-Face Negotiations in strategic sourcing and also the study gives a comparison between e –negotiations and human face to face negotiations with positive and negative aspects.

KEYWORDS

procurement, communication, e-negotiation, face-to-face negotiation.

JEL CODES

M10, M15.

1. INTRODUCTION

The dictionary meaning of negotiation is the discussion aimed at reaching an agreement.
Negotiation is also defined as the discussion between two or more persons with an intent to reach a mutually agreeable outcome.
In negotiation there is bargaining over an issue among the persons discussing their view points but still trying to discover a common ground for an agreement.
Looking at the above two definitions, we can conclude that, for the end result to be successful, the negotiation has to come to a common understanding by winning or losing over the other and negotiating to one's benefit is the priority.
In any product/ service marketing without transaction, business doesn't happen and every transaction involves certain amount of negotiation.
In any negotiation we need to be prepared to accept the fact that all discussions may be or may not be true, the opposite person may nor may not be friendly and we need to keep in mind that we cannot always search for a perfect solution.
In any negotiation, someone is in a stronger position and someone is in a weaker position and the side that needs the deal more is the side that gives up the most.
In any business there is negotiation to resolve employee conflict and negotiation for Marketing to fix a price and supply terms for a product or service in discussion.
In this Research we discuss on negotiations during Procurement of Raw-material with the Paper Title: **"**To Analyse the effectiveness of E-Negotiation with Face-to-Face Negotiation" It's an empirical research and is based on actual data collect.

2. REVIEW OF LITERATURE

2a. Referring Differences in Computer Mediated Versus Face to Face Negotiation a research by Melissa Oates in December 2009 (https://digitalcommons.calpoly.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1000&context=psycdsp), Ninety Cal Poly students participated in a study to test the hypothesis that e-negotiators would be more likely than face-to-face (FTF) negotiators to employ unethical or competitive negotiation styles in a subsequent negotiation after being lied to in a previous negotiation. Sixty-four Cal Poly students were randomly assigned to partake in a computer mediated or FTF negotiation over the sale of a car. After the initial negotiation was completed, buyers in each condition were led to believe they had been lied to about the accident history of the car. Participants then completed The Incidents in Negotiation Questionnaire by Robinson, Lewicki, and Donahue (2000) and The Conflict Behaviours Questionnaire (Rahim, 1983). These questionnaires were used to compare e-negotiators' view of unethical behaviour and competitive negotiation styles to views of FTF negotiators. Twenty-six participants did not negotiate but completed surveys and acted as a comparison group. An independent means t test was conducted, and a significance level of $p<.05$ was used. Contrary to the hypothesis, FTF negotiators reported a higher likelihood of using competitive negotiation styles, competitive bargaining misrepresentation, and overall unethical behaviour in future negotiations.
Here, the Face-to-Face negotiations were upheld.
2b. In E-negotiation versus face-to-face negotiation what has changed-if anything?
(https://www.researchgate.net/publication/220496182_E-negotiation_versus_face-to-face_negotiation_what_has_changed-if_anything) By Amira Galin, Gavriel Gosalker and Miron Gross – 2004, in which the focus of the study is the relatively new and still controversial electronically mediated negotiation (hence denoted e-negotiation) as compared to the good old face-to-face negotiations. The main research question is the impact that the type of negotiation media (face-to-face versus e-negotiation) has on the features of the negotiation process (duration and tactics) and on its outcomes. It also examines the moderation effects of the sequence of the negotiation media, i.e., face-to-face negotiation, when carried out prior to, or after e-negotiation. For this purpose, 80 young students were exposed to the two types of negotiations, whilst various intervening variables were controlled by randomization. It was found that the negotiation media, as well as the negotiation sequence, barely affects the negotiation outcomes. Face-to-face negotiation was not different than e-negotiation, in terms of the final price, the number of instalments for the balance and the sum of the advanced payment. However, both the negotiation media and the negotiation sequence significantly affected the main features of the negotiation process, in terms of time duration and the use of hard or soft tactics. These results are discussed and interpreted in terms of existing theories.
Here, both the study says that e-negotiation or face to face negotiation are measured equally.

3. NEED ANALYSIS

There is no question that negotiations are important part of any Procurement department.
In today's competitive market environment, the ability to negotiate effectively is more needed than ever before.
In this Research paper, we try to evaluate the impact of E- Negotiation with Face to Face negotiation and conclude the most effective method among the two ways of negotiation.

4. RESEARCH METHODOLOGY

4.1 RESEARCH OBJECTIVE

To analyse the effectiveness of adopting a combination of E- Negotiation followed by Face to Face Negotiation during procurement.

4.2 RESEARCH QUESTION

Which Strategy of Negotiation during procurement is more efficient from among e-negotiation and face to face negotiation?

4.3 RESEARCH HYPOTHESIS

Null(H0) & Alternate(H1) Hypothesis

H0 – The best negotiation strategy used during raw-material procurement, is when either E-Negotiation **or** Face to Face Negotiation is adopted for expected results.

H1 – The best negotiation strategy used during raw-material Procurement, is to have combination of E-Negotiation followed by Face to Face Negotiation for expected results.

4.4 SCOPE OF RESEARCH / EXTENT OF COVERAGE

The study is for an Electrical Meter Manufacturing Company located in South India.

It's an empirical research and is based on actual data collect.

SAMPLE DATA: The actual data collected is by involving with company's Procurement team while negotiating for the purchase of raw-material after receipt of offer from Suppliers for Quotation Enquiry in three cases (RFQ).

SAMPLE METHOD: The actual data were collected in three different ways by sending supplier enquiry (RFQ's) by email, for two suppliers in approved vendor list and two suppliers were personally visited and got offer price sitting face to face and lastly for suppliers after sending RFQ by email were visited on receipt of offer price by taking appointment to meet and had face to face negotiation and final offer price was negotiated and official communication was taken.

5. RESEARCH ANALYSIS

All the three results of actual data pertaining to only e-offer, only face to face negotiation and the combination of sending e-offer and then negotiating are collected and the strategy which proved successful in getting the contract is analysed.

5.1 RESEARCH DESIGN

The procurement personnel can receive their offer for RFQ's sent by e- mail and also by reaching the supplier place and submit their offers personally (face to face).

Its usual practise by many purchase personnel that immediately after they receive the offers for their enquiry they won't finalise the order on Low priced supplier offer received. They take it for negotiation stage and leave no opportunity to bargain and finalise the order comparatively lower than the lowest offer received.

Hence, in this Research, a study along with procurement team of the chosen company is carried by sending RFQ (Request for Quotation) to 3 suppliers in three different ways as given below;

1st. Case: Two Supplier enquiry (RFQ) which was sent by e-mail and the offer price was received in three days by email itself with a request to place the order by both.

2nd. Case: Suppler enquiry (RFQ) was take personally by a purchase personnel to the 3rd supplier place and collected the offer.

3rd. Case: Here, among the supplier enquiry which was received after three days by e-mail as mentioned in 1st case, the purchase personnel requested the 2nd supplier for a face to face negotiation with an appointment to meet personally at their office at any convenient day of the supplier. The procurement personnel visited the supplier and had a good round of face –to – negotiation.

The case studies were further followed up to analyse the end result.

Regarding the combination of 1st case and 3rd case the supplier component prices on receipt of email was compared with offer price after meeting the supplier personally and having face-to- face negotiation.

In 2nd case supplier offer was received by directly visiting the supplier and collecting the offer by hand.

It was observed that the best negotiation strategy which was used during raw-material procurement, is when both E-Negotiation along with Face to Face Negotiation is adopted for best and lowest offer received.

6. CONCLUSION

The results strongly suggest that the selected company's procurement team in the 3rd case, using the system in structured negotiation settings with combination of both e-negotiation and face to face negotiation would achieve better outcomes than parties negotiating face to face or over an e-mail messaging facility, other things being equal. Thus the Research Objective is met.

Hence Null Hypothesis is proved wrong and alternative Hypothesis stands correct.

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