INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

THE ECONOMIC RATIONALE OF GOLD IN INDIAN CONTEXT

DR. M B MOHANDAS
MANAGER (COMMERCIAL)
IFFCO LIMITED
NEW DELHI

ABSTRACT
As the ever growing demand for gold gradually started to exert tremendous pressure on India's external balance, government initiated an array of measures to curb the imports. Since independence, the domestic gold market was regulated through Gold control Act. From the 1990s reforms it is increasingly liberalized. As the internal availability is very limited, most of the consumption demand is generally met through imports. Today it stands second in the import basket. Despite a slew of trade and exchange rate policies, current account deficit run into trouble. This paper attempts to identify and pinpoint various influential factors on demand front and also ascertain the impact on the external balance The study is exploratory and broadly qualitative in nature based on review of mainly RBI and World Gold Council (WGC) studies engaged with both primary and secondary data. The results are quite surprising. Possession of gold is a symbol of social status, wealth and prosperity. It has emotional, cultural and financial value, which supports demand across generations. Gold is an integral part of the Indian lifestyle and is the only saviour during distress period. Gold demand is price inelastic. But higher imports have adverse impact on external balance. After all, Indian life is enshrined with gold.

JEL CODES
E21, F13, F32, F34.

KEYWORDS
Gold demand, Current Account balance, Forex reserve.

INTRODUCTION
In order to curb the ravenous appetite to gold, during the period January, 2012 to August, 2013, Government of India has hiked import duty on gold which was kept ludicrously very low in 2002-03, from 1% to 10% in 5 steps. On the quantitative front, RBI, the central bank, imposed the 80:20 formula under which 20% of total imports should be re-exported through value addition in the form of jewellery. The bulwark against gold imports which has turned the second biggest import after oil, was intended to trim down the current account imbalance from $88 billion in 2012/13, or 4.8% of GDP, to $70 billion, or 3.7% of GDP, by close of 2013/14 as the gold trade can get gridlocked over the rupee free fall and Current Account. Since post independence gold import and export was banned under the Foreign Exchange Regulation Act (March 1947). The domestic market was meticulously regulated through Gold Control Rules and the Gold (Control) Act enacted in 1968. Accordingly, private ownership was restricted to jewellery and coins already in circulation. Owning bars became illegal and fabrication and retails fell under license raj. The manufacture of minted bars and medallions was forbidden along with forward sales. After 27 years, the Gold (Control) Act was rescinded with the economic reforms initiated in 1990s. Since then the exchequer has unleashed pragmatic policies crafted to augment the share of gold imports, stimulate value added the exports, improve the overall quality and persuade the recycling in private hands the Gold Deposit Scheme in particular. Important initiatives include the introduction of official gold import schemes, notably the Non-Resident Indian (NRI) Scheme in 1992 and the authorisation of banks in 1997, the Gold Deposit Scheme in 1999, the hallmarking initiative in 2000, and on-going support for gold jewellery exporters. Thus in order to meet the ravenous domestic appetite, imports have been judiciously liberalised as the domestic resources are very limited and minuscule in comparison with demand.

REVIEW OF LITERATURE
It can be palpable that throughout human civilisation, gold has graciously fulfilled all the three currency criteria: unit of account, store value and medium of exchange. Further, it has played pivotal roles in the international monetary system as a unit of exchange and a monetary anchor. But, after the collapse of the two main pillars of Bretton Woods System, namely the fixed exchange rates and convertibility of dollar into gold and the subsequent evolution of floating exchange rate regime, its official role has consistently moderated. However, in the second quarter of 2009, central banks turned net buyers for the first time in two decades and have continued to purchase since then mainly due the deteriorating credit quality of government debt. More precisely, it always stands as a natural hedge to today's all fiat money circulating across the continents. Though the worldwide acceptance, liquidity and safe haven against any economic misfortune or political mayhem makes gold lucrative, its value addition to the economy is minuscule. Universally, gold has emotional, cultural and financial value, which supports demand across generations.

In the post-war (World War II) period many national economies had become more open and foreign trade expanded at a faster pace than the world output. Further, many insular and controlled economies gradually abandoned their conventional import substituting industrialization model and started advocating and adopting outward oriented development strategy with explicit export orientation. More precisely this involved a clear shift from state controlled public sector dominated economy to private sector centric market led economy. Another striking aspect during the post-war era was the emergence of three distinct major regional economic groupings namely East Asian, North American and European. International trade increased at a faster rate than the GDP growth of individual national economies.

Brisk growth in foreign trade in goods, services and finance plus the predominance of new technologies and innovative modalities for production as well as marketing via the proliferation of MNCs were the visible features of the globalization process – integration of capital, labour, management and the rapid movement of goods and services with the rest of world. Under the new scenario, independent monetary policy and free capital movements became inconsistent with rigid fixed exchange rate. Since the Gold Standard era, diverse international financial systems have attempted to achieve combinations of two out of the three policy goals. The Bretton Woods System sacrificed capital mobility for monetary autonomy and exchange rate stability. The Euro system is built upon the fixed exchange rate arrangement and free capital mobility, but abandoned monetary autonomy of the member countries. For many years until recently, developing countries had pursued monetary independence and exchange rate stability, but kept their financial markets closed to foreign investors. The fact that countries have espoused combinations of two out of the three policy choices and altered the combinations as a reaction to crises or major economic events must mean that each of the three policy options is a mixed bag of both merits and demerits for managing macroeconomic conditions. (Joshua Aizenman, Menzie D. Chinn, and Hiro (November 2009) No 180. Today, Exchange rate movements are not generally governed by national price level movements but rather by the weight of the capital flows and the consequent intervention policy of the central bank. Macroeconomic stability and the incentives to engage in trade, in short and medium terms, began to revolve around the concerns related to real exchange rate stability.

METHODOLOGY USED IN THE STUDY
The study is exploratory and broadly qualitative in nature based on review of mainly RBI and World Gold Council (WGC) studies engaged with both primary and secondary data. Primary data have been garnered by partially structured open ended interview schedule. Whereas the secondary data from internet, journals, articles, etc.

OBJECTIVE OF THE STUDY

The main objectives of this research paper are:

1. To identify and focus the various influential factors on the demand front in Indian context
2. To ascertain the impact of gold demand on the external balance of the economy.

SIGNIFICANCE OF THE STUDY

Post-Independent India under centralized planning witnessed a low growth rate of meagre 3% characterized with high unemployment and a worsening balance of payment situation. The trade regime was characterised by high nominal tariffs and non-tariff barriers coupled with a complex import licensing system. In short Indian economy remained insular till late 80s. Finally without having no other choice, except to embrace the free market ideology to get out of the quandary and forced to shed the path of "Nehruvian socialism" and took a U turn towards a more open and liberal economy by putting an end to the 'license permit Raj'. Reforms lifted India towards a high growth trajectory from the sluggish Hindu growth rate. The economy got diversified significantly, the share of Service sector in employment generation has been consistently rising, booming financial sector and huge foreign inflows strengthened corporate sector which in turn contributed to vibrant trade and commerce and the overall living standards of an average Indian got a boost.

In an open economy, trade can take place among countries, only when they are mutually benefited. Thus an open economy is equally concerned with its internal and external balances. Internal Balance requires full employment and low inflation or domestic price stability, more precisely internal value of home currency. External Balance is attained by a net current account balance and sufficient Forex reserve for meeting unexpected economic misfortunes. When a country's productive resources are fully employed and its prices are stable, it is in internal balance. So a country engaged in foreign trade is always closely monitors its unemployment, domestic saving, Trade imbalance and money supply and the price level. Internal Balance is managed through Fiscal & Monetary policies and whereas External balance with Trade & Exchange rate policies.

FINDINGS AND DISCUSSION

ECONOMICS OF GOLD

Since time immemorial, gold has mystique and mesmerizing record due its brilliant colour, glistening sheen, corrosion and tarnishing resistance. Its scarcity, eternalness and difficult to counterfeit adds value and may be the only safe and trustworthy wealth accessible to one and all throughout prehistoric, ancient, medieval and modern times. It is the best all time safeguard against any political and economic turmoil and hence it has always considered as a highly coveted product. India, the largest consumer of gold, accounts about one fourth of the total global consumption where around two third flows to jewellery industry which is valued presently at about $40 billion and driven by an assortment of cultural, social, religious and demographic factors. Hence it pervades every echelons and class of the Indian society where it is equally sought by wealthy urban population or poor village farming community. Some independent estimates show that about 65 per cent of the domestic gold stock is held in rural India where 70% of the 1.25 billion population reside and 40% of annual consumption absorbs in the southern states. It is worth to note that the large chunk of Indian heavy demand is met externally, through imports as internal resources are very minuscule in quantity.

TRADITIONAL FACTORS

Like in most ancient civilizations, traditions have significant and profound influence on Indian society. Possession of gold is a symbol of social status, wealth and prosperity. Part of the small rural earnings is stored in trinkets as a safest all time wealth. Gold plays an indispensable as well as indisputable role in weddings. Indian brides are in fact festooned in gold jewellery which endows them with financial strength, eminence and insurance in their new home. The more and more women employment opportunities emerging from the various poverty eradication missions through women empowerment initiatives and women employment opportunities in large consumer wholesale and retail showrooms, Malls, Textile and jewellery showrooms, IT and IT enabled services have propelled the women purchasing power of gold to a great extent. Throughout the country, most of the festivals are celebrated with gold. Today, felicitations and in important family occasions by gifting gold jewellery or coins are deeply ingrained in all ranks. Some days, notably Dhanteras (2 days before Diwali) and usually Akshayatritiya (in May) are viewed as very auspicious to buy gold. Further, many event and lottery prices / Jackpots are offered in gold. The large portion of rural household savings is in jewellery from. Usually, a family's gold will only be sold as an absolute last resort and/or in dire emergency. *It should not escape notice that gold and silver, after circulating in every other quarter of the globe, come at length to be absorbed in Hindostan, from Travels in the Mogul Empire By François Bernier, the famous French traveller* (1625 – 22 September 1688, *Irving Brock.* The above words underscore Indians deep affinity to gold.

RELIGIOUS FACTORS

Gold is an auspicious metal, presumed to be divine and considered as bringing the Goddess Lakshmi into home. Gold is an inevitable item in many rituals. Idols in temples generally are adorned with gold. It is a common scene that the roofs of Sanctum sanctorum of many temples are covered with either gold sheets or gold plated. It is common that in the thanks giving process, devotees profusely offer various articles made up of gold to temples against favours received. Many ancient and important temples have rich gold stock, for instance, Tirupati Trust has well over 1000 tonnes. In 2011, a massive treasure trove was unearthed at Sri Padmanabhaswamy temple, Kerala.

MONETARY FACTORS

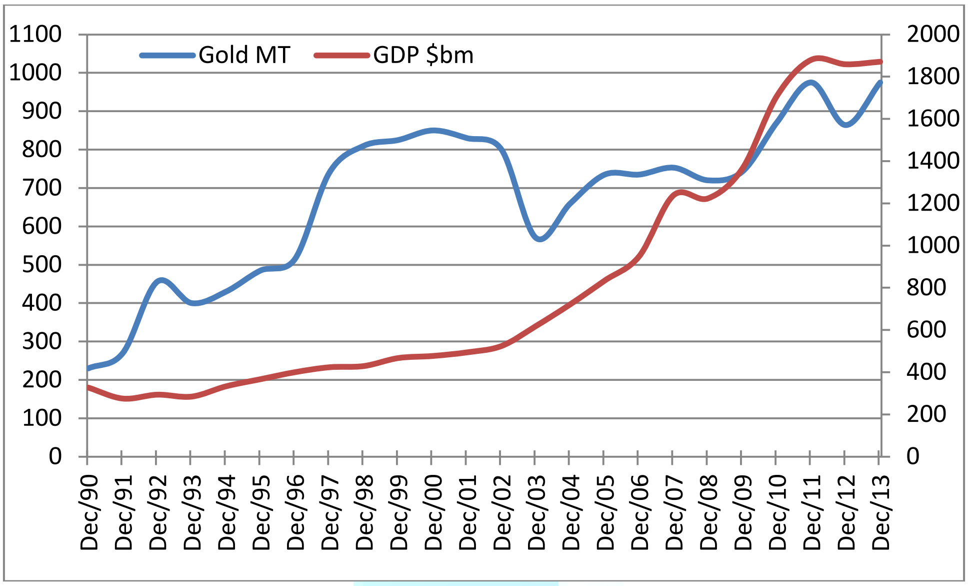
The alluring attraction of gold is its high degree of Liquidity quotient. More precisely, gold can be encashed with in no time which can't be attributed to any other prevailing financial / investment instruments as redeeming usually takes time. It is a common practice among the rural household's mindset that gold is pawned, bought back and re-pawned to manage the unforeseen economic misfortunes. Pledging jewellery and other gold assets to secure loans to local pawnbrokers and money lenders is prevalent in the Indian society over ages as fitting substitutes are virtually absent. It is reported that only one fifth of rural India has access to formal financial sources. Though the millions residing in the rural are far away from modern financial engineering, they know that gold is a conventional unit of account and will continue to remain ever unless it is abundantly available and a prolonged slump in value. So they will keep on buying though even if just little and pass on to the next generation as it will be helpful in dire times.

When India faced its worst ever balance of payment crisis in 1991, the official gold reserve came to rescue by way of pledging 67 tonnes from the official reserves to Union Bank of Switzerland and Bank of England and raised $605 million to shore up its declining foreign exchange reserves. Keeping the above in mind, in the midst of global financial meltdown, the Central Bank (RBI) in compliance with its foreign exchange reserves management operations, has procured 200 tonnes of gold in October, 2009 from IMF at a value of $6.70 billion, under the IMF's limited gold sales programme. It is pertinent to note that at the time of Independence, official reserve was 243 tonnes from which it gradually went up to 357 tonnes in 1998 and after the above deal it closed to 557 tonnes.

In view of above facts it is apparent that gold demand is in the vortex of various socio, economic and cultural factors and hence Indian are emotionally involved to accumulate gold. Further, the demand is seasonal which would be peaked during festival and marriage times (September to March) and is price inelastic.

GOLD DEMAND & GDP

FIG. 1

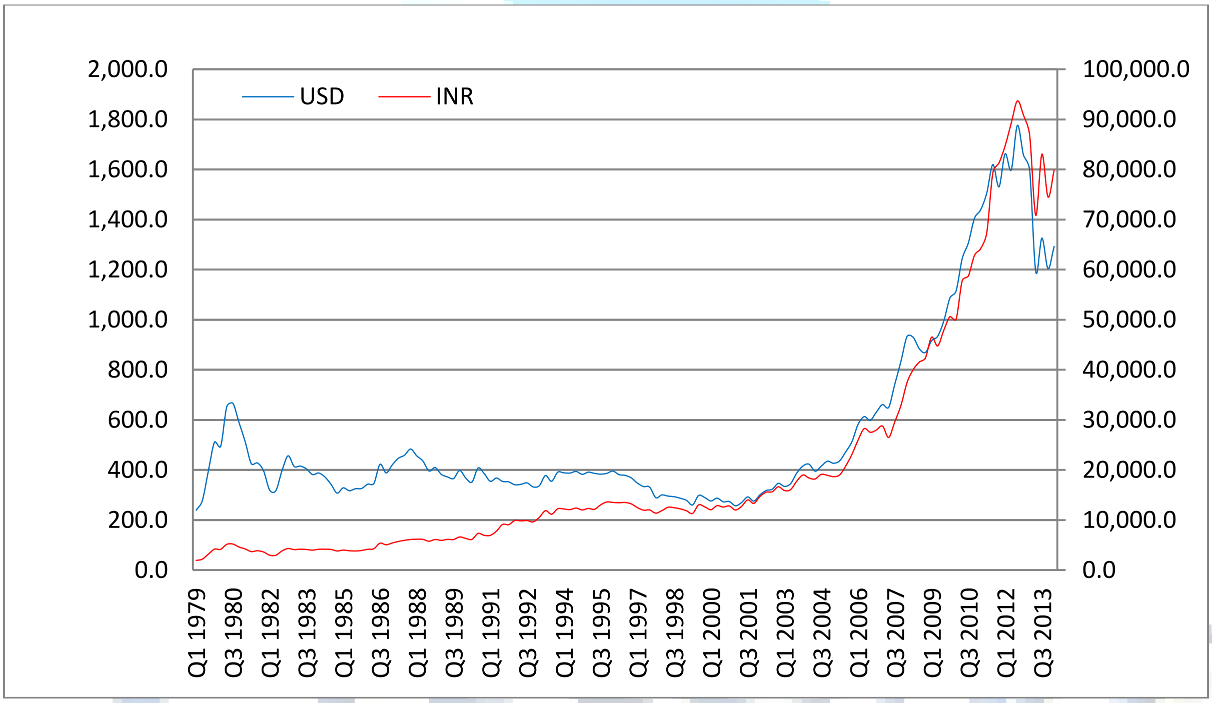


Source: RBI, IMF WEO2014 and World Gold Council (X axis: Gold in LHS & GDP in RHS respectively)

Under restricted regime, the annual consumption of gold was merely 65 tonnes in 1982 which inched just over 200 tonnes in 1990. From the above diagram, it can be perceived that since the beginning of economic reform, gold persistently rallied more or less in tandem with GDP growth and today it edged to almost five fold! In the first seven years (1990-97) rally, the consumption touched to 700 tonnes. During 2002-2012 periods the annual demand stood reasonably stable in the range of 700 to 900 tonnes regardless price which shoot up from Rs. 13,350 to Rs. 86,950 per troy ounce. Or in other words, $1.8 trillion Indian economy absorbs one fourth of the global demand, about 4,000 tonnes. Though there is no exact stock at finger tips, estimate says that Indian gold stock accounts 30,000 to 35,000 ton. At the same time, GDP which was $325 billion in 1990 rose to $1.8 trillion in 2013.

MOVEMENT OF GOLD PRICE

FIG. 2



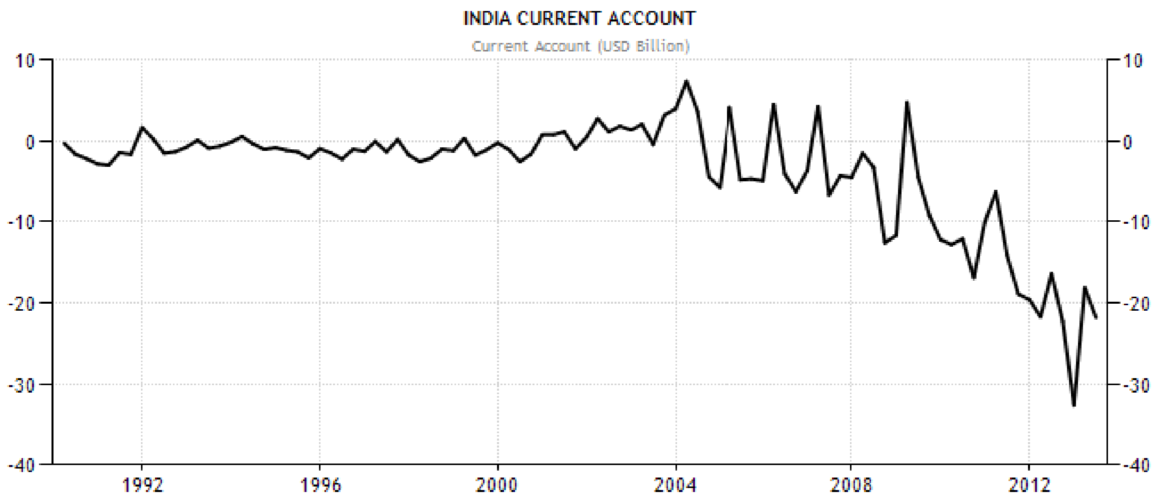
Source: World Gold Council (X axis: USD in LHS & INR in RHS respectively)

During the first decade of liberalisation (1990-2000), the gold price in overseas crawled back to $275 per troy ounce from $360 and climbed to $520 in between 2000-2005. Then it was doubled in the next four years. In the next stretch, that is during 2009 to 2012 it zoomed from $1050 to $1700 and then slowly inched to below $1300 as on today. Whereas the gold price in the domestic market was almost doubled in same periods. That is from Rs 6,350 per troy ounce in 1990 to Rs 12,800 in 2000, Rs 23100/- in 2005, Rs 50600/- in 2009 and now at Rs 74500/-. But after global meltdown, both prices are moved in the same magnitude. Despite a fourfold rise in the rupee gold price over the last decade, gold demand continued to grow. It is also pertinent to note that since the big ticket reform initiatives the domestic unit continued to depreciate under the heavily managed float.

IMPACT ON EXTERNAL BALANCE

Since 1991 India like other emerging market economies gradually abandoned its conservative import substituting industrialization model and started advocating and adopting outward oriented development strategy with explicit export led growth.

FIG. 3

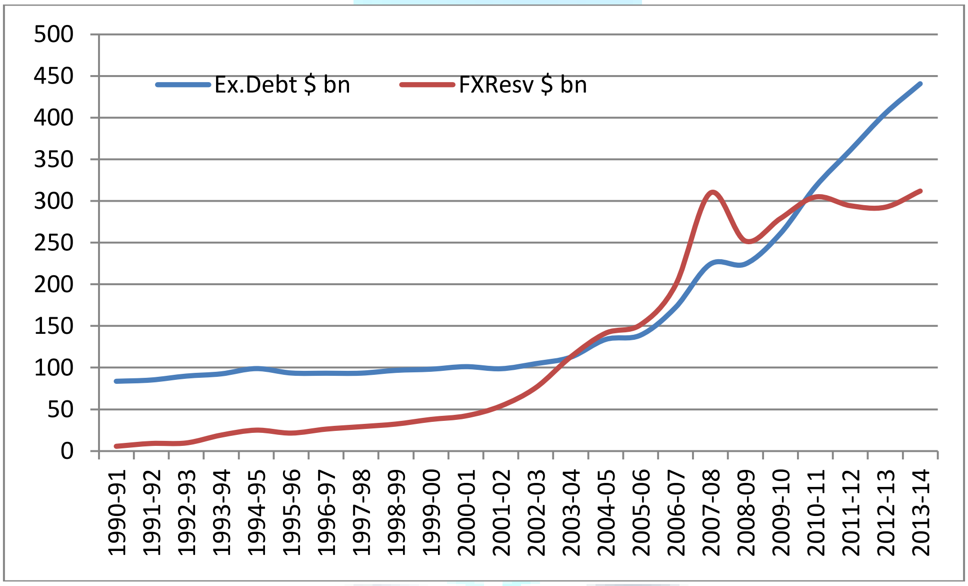


Source: RBI Data

It is evident from the above chart that though a slew of Trade and Exchange rate policies are unleashed, current account ran into rough weather throughout the post reform period barring three years. The current account deficit (CAD) is relentlessly compelled to finance from capital inflows (account). Thanks to the long prevailing overseas low interest regime! Even the weak domestic unit desolately failed to rescue the increasing CAD. Hence it can't be undermined that in reality, India's forex reserve is accumulated through external borrowings (a borrowed one) rather than earned from exports or not from Current Account Surplus. During the last decade, both external debt and forex reserves are zoomed in tandem. In the above scenario, the external front is more and more vulnerable from both ends.

INDIA'S EXTERNAL DEBT & FOREX RESERVES

FIG. 4



Source: RBI Data

Gold is the second largest component of import basket, after crude. Crude keeps on the economy running. The large and ever growing gold demand wields more pressure on current account balance. As the domestic production is trifling and the resultant large imports directly contribute to the widening of the current account deficit. Again it has to be paid from its borrowed reserves. Thus, the high gold imports and the weak rupee have been the biggest stress points when it comes to narrowing the current account deficit. Hence huge and ever increasing gold imports can derail the external sector through current account.

CONCLUSION

Across the country, gold has emotional, cultural and financial value that supports demand across generations. It is the only item that permeates every strata and class. Gold is an integral part of the Indian lifestyle and is the only saviour during distress period. Gold demand is price inelastic. But higher imports have adverse impact on external balance. After all, Indian life is enshrined with gold.

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A STUDY ON APPLICATION OF BALANCED SCORE CARD TO THE DEPARTMENT OF COMMUNITY MEDICINE IN MEDICAL COLLEGE & HOSPITAL

DR. SUBITA P. PATIL
ASST. PROFESSOR
DEPARTMENT OF COMMUNITY MEDICINE
L.T.M.M.C. & G.H.
MUMBAI

DR. R. M. CHATURVEDI
PROFESSOR & HEAD
DEPARTMENT OF COMMUNITY MEDICINE
L.T.M.M.C. & G.H.
MUMBAI

ABSTRACT
Background:Kaplan and Norton's balanced scorecard (BSC) has become a widely used framework for performance measurement. A balanced set of integrated performance measures reduces the map into a series of objectives, targets, measurements and initiatives. [2]. The four generic perspectives are financial, customer, internal and learning & growth are considered.Hence, this study was conducted keeping these aims & objectives in mind to identify possibilities of application of Balanced Score Card to the Department of Community Medicine in a Medical college & General Municipal Hospital for the first time Methodology: This descriptive study was carried out from June - Sept 2013. All students of III[rd] / I[st] MBBS were selected for satisfaction survey .Patient's feedback was obtained with the help of satisfaction survey at OPDs runned by the department. Results: Customer Satisfaction: Medical students and Patients satisfaction level of 78% and 84% which can be increased to target 95% by teaching- learning methods, enhanced quality care. Internal Processes: attendance rate from 77% can be increased to 100% by giving timely and regular feedback to students. Maximising skill development clinically and public relations, ensuring staff empowerment and accountability Learning and Growth: Maximum utilisation of teacher's skill, knowledge, experience and provision of innovative teaching learning aids and methods. Conclusion: Drawing balanced score card would help to translate departmental strategic objectives into coherent set of performance measures. With a boom in the healthcare industry, it's a high time for the Indian Healthcare industry to adopt the best global Practices like Balance Score Card.

KEYWORDS
Balance score card, Community Medicine.

INTRODUCTION
World Health Organisation defines health systems as a key element of sustainable economic development and effective governance. World Health Report 2000 stated that governments should ensure that their country's health care system provides the optimal health services for its population. To achieve the real and main aims of health systems, emphasis should be on the development of monitoring, measuring and regulating the health care providers' performance. In this regard, Balanced Score Card is known as one of the most powerful approaches in performance measurement and strategic management. [1] Kaplan and Norton's (1992) balanced scorecard (BSC) has become a widely used framework for performance measurement. The generation of BSC was a set of indicators arranged by perspectives derived from mission and vision of organisation.[1]The balanced scorecard, in its simplest terms, is a system that allows an organisation to measure its performance in critical areas that are key to its success. The balanced scorecard makes use of both qualitative and quantitative measures, in conjunction with traditional measurement instruments to give management and employees a snapshot of the health and future prognosis of the company.

REVIEW OF LITERATURE
Balanced scorecard is a strategic measurement and management system. It translates an organisation's mission and strategy into a balanced set of integrated performance measures.[2]

The concept of the balanced scorecard recognises that no single measure can provide a clear target or focus attention on the critical areas of the business.

The balanced scorecard gives leaders a set of measures that provides a fast but comprehensive view of the company. It provides a snapshot of overall performance that focuses attention on those things critical to success. The balanced scorecard helps a company organise and communicate its strategies to employees and shareholders. It aligns work at all levels of the company to ensure day-to-day tasks line up with critical success factors. It reinforces behaviours of employees and helps eliminate unwanted behaviour by having very clear and precise measurements that are all ultimately based on how employees perform.[3]

The balanced scorecard is an approach that helps organisations create sustained value and focus on creating a stronger future. The Balanced scorecard is an approach first introduced by David P. Norton and Robert S. Kaplan in the early 1990's. David Norton explains that the balanced scorecard provides a framework to describe an organisation's strategy in a simplified way that creates shared meaning. This approach to strategic management puts everyone on the same page and identifies how every employee in the organisation contributes to organisational success.[4]

THE BASICS OF THE BALANCED SCORECARD

The primary goal of an organisation is to create sustained value over the long term. The Balanced scorecard focuses on creating a balance between short-term activities and long-term goals that sustained value. For organisations with a high level of regulatory involvement, such as healthcare, the activities of the scorecard can be divided into four basic categories:

1. Building the business – focusing on the creation of new business opportunities;
2. Increasing customer value – restructuring relationships with customers to expand the current value proposition;
3. Increasing operational excellence – focusing on productivity management, quality, and asset utilisation and operating performance;
4. Practicing good citizenship – focusing on external and indirect constituents as a result of regulatory relationships. [4]

David Norton points out that creating a set of strategic themes that will bridge the gap between the existing state of operations and the desired state into a simplified, one page picture. [4] The balanced scorecard reduces the strategy communicated in the Strategic Map into [4]manageable objectives, measures in the form of lead and lag indicators, stretch targets, and "double-looped" learning opportunities. [4]

APPLICATION OF BALANCED SCORECARD TO HEALTH CARE SECTOR

The healthcare providers need to drive better business practices into what they do as the one who provides the best services gets the business.[4] Balanced scorecard can be used by hospitals to do the following:

- Clarify and gain consequences about strategy,

- Communicate strategy throughout the organisation,
- Align departmental and personal goals to the strategy,
- Link strategic objectives to long – term targets and annual budgets,
- Identify and align a strategic initiatives,
- Perform periodic and systematic a strategic reviews,
- Obtain continual feed back to learn about and improve strategy[2]

A true balanced scorecard can have at least six benefits to Healthcare providers:
It can add customer insights, refocus internal operations, energise internal stakeholders, strengthen customer acquisition efforts, and strengthen customer relations and increase loyalty and returns of value. [2]

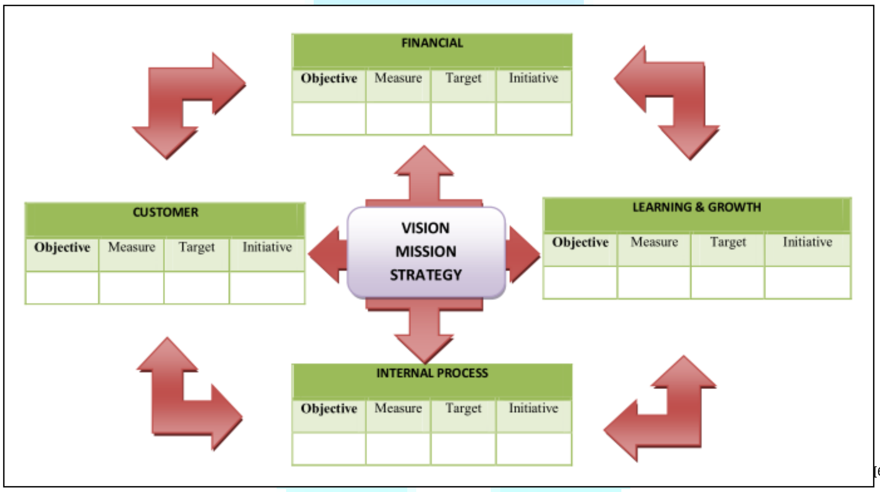
GETTING FOCUSED

It is extremely important to clearly and objectively understand the organisation's current performance curve and to be very realistic about the strategic gap between what is and what is and what is desired.[4]

Development of a strategic map reduces the organization's strategy to a simplified tool that communicates and demonstrates the critical features and integrations of the plan. It helps everyone to understand their roles and to visualize the cause-and-effect relationships that can make the strategy a reality. [4]
Once a strategic map is built, a team of key players can build the scorecard. The scorecard reduces the map into a series of objectives, targets, measurements and initiatives that can then be divided up amongst a wide range of people in the organization to facilitate timely and innovative actions. [4]
Template for balance score card is as follows,

Objectives	Measurements	Targets	Initiatives

The Scorecard Perspective:
The Balanced Scorecard provides a framework to manage strategies used to create value from different perspectives. The four generic perspectives are:
- **The financial perspective** – These measures support the strategy for growth, profitability, and risk viewed from the perspective of an owner or shareholder.
- **The customer perspective -** supports the strategy for creating value and differentiation from the perspective of the customer.
- **The internal process perspective –** establishes the priorities for various business or operational processes that are critical in creating customer and shareholder satisfaction.
- **The learning and growth perspective –** measure activities that create a climate that supports change, innovation and growth [5]



[6]

The Financial Perspective: The financial perspective should have the proper mix of measures that give an accurate overview of the company's health. Traditional historic measures must be mixed with current and future data.
1) Current data might be cash flow, orders in the Pipeline, accounts receivable, liquidity measures and daily sales figures.
2) Future oriented data might include percentage of sales from new products, dollars invested in R & D as a ratio to sales or profit, and sales growth in a new region or market segment. [3]

The Customer Perspective: A customer–focused organization requires segmenting customers and determining the needs and desires of each group of customers. Customer satisfaction measures have a mix of hard and soft measures. Soft measures are used to predict customer behavior and include such things as customer opinions, perceptions and feelings. Perceived value is a strong predictor of customer buying behavior; soft measures should include at least one measure about the customer's perception of value. Hard measures contain data of what customers do, not what they say. These measures may include gains and losses of customers, market share relative to competitors and repeat business. Price verses competition is also a hard measure of value. [3]
The Internal Process Perspective : Achieving good performance levels on operational measure leads to high – quality products and services which is the first of a chain reaction that causes satisfied customers, which leads to repeat business, which supports long – term survival and success. Process measures can easily be confused with output measures. [3]
The Learning & Growth Perspective: This perspective recognizes that the ability to execute internal business processes, the company must have an infrastructure that develops the skills, capabilities and knowledge of employees. Additional measures may indicate the employee's view of the work climate and satisfaction they receive from their work. [3]

NEED OF THE STUDY

Balanced scorecard allows an organisation to recognise the strengths and weaknesses of multiple performance improvement options and to utilise the right technique for the organisation's needs while assuring continuity in outcomes through one common strategic management approach. The Balanced scorecard approach encourages an organisation to look at the 70%-80% of critical components for success that are frequently overlooked. In services and information industries, the products that the providers are selling are the skills and knowledge of their staff. All the tangible assets of an organisation such as equipment and buildings have little value in creating future success without the people skills and strong processes. [4]
Very few studies are conducted on preparing and applying balanced scorecard in health industry and that very less in medical college attached with tertiary care hospital which is administered by Municipal Corporation. Hence, the need to conduct the study for persistent improvement of the department.

OBJECTIVES

1. To identify possibilities of application of Balance Score Card to the Department of Community Medicine in a Public Hospital.

2. To draw scope for the Balance Scorecard.
3. To identify Challenges / Limitations in application of the Balanced Score Card.

DEPARTMENT OF COMMUNITY MEDICINE

The key function areas for Department of Community Medicine include teaching, training, service and research. It is important to know the mission, vision, goals, quality policy of the department or the sector for whom BSC is to be prepared. Hence, they are described for the department of Community Medicine as follows:

MISSION: To provide quality health care to the community, impart the best medical education and innovate through continual improvement.

Vision : 1) To become " Centre of Excellence" in medical education
2)To provide " Service through Excellence"

Short Term Goals To achieve high standard of
1. Quality Medical services
2. Medical education & training
3. Research & Development

Long Term Goals: 1) To adopt best global practices to enhance customer satisfaction.
2) ISO Compliance (9001:2000)

This standard provides a guide to achieve the goals of quality and customer satisfaction.[6]

Quality Policy: We at the department of Community Medicine are committed to provide excellent quality care to the patients & best medical education to the students by continuously improving on quality of our services innovatively.

METHODOLOGY

This descriptive study was carried out at Department of Community Medicine in Municipal Medical College and General Hospital, in Mumbai from June 2013 to Sept 2013. Primary data was collected with the help of questionnaire from patients and students. **Sampling design**: Patients attending OPDs runned by the Dept in Urban Health Centre, Dharavi were selected randomly. Their valid informed consent was taken. They were asked to rate the services(on a scale of 1 to 5 where 1 is poor and 5 is excellent.) rendered by the Department on the parameters like attitude of staff, treatment by doctors ,diagnosis, communication, cleanliness , availability of medicines ,adequacy of facilities, registration process, waiting time etc. Total Score of all parameters together gives satisfaction rate.

All III[rd] MBBS Part I students posted for Community Medicine were selected & asked to give rating (on a scale of 1 to 5 where 1 is poor and 5 is excellent.) on the parameters like knowledge of the teacher about the subject taught, method of teaching, quality of content, preparedness of the teacher, quality of communication etc. **Sample size**: Patient feedback was collected from 384 patients by using Lwanga's Principle[7] Student feedback was collected from the complete (exam going) batch of 100 students posted to the department.

Balanced score card was designed under basic perspectives as mentioned before. Each of them were described in terms of objective to be achieved, measurements used, targets to be achieved & initiatives undertaken to accomplish them. Those perspectives were mapped on one sheet so as to measure performance of the Department at a glance.

RESULTS

Result of current study is drawing the balanced score card as shown in **Diagrame: 1**.

All perspectives are described in terms of current measurement, targets to be achieved & initiatives to be undertaken are mapped out in the same diagramme.

***CUSTOMER SATISFACTION:** Medical students and Patients are customers for the Department of Community Medicine. Increased Patient Satisfaction by delivering quality care is measured by patient satisfaction rate.[4]

Measurement & targets of Customer Satisfaction Perspective The measured value reflected patient satisfaction level of 78% which can be increased to target 95% by enhanced quality care.**(Chart:1).** Student Satisfaction Survey was the measure to evaluate Students Satisfaction. The current score of 84% can be increased to target 95% by introducing learner based teaching-learning method and use of computer based aids**.(Chart: 2)**

Initiatives to be undertaken: Quality, Image and Reputation can be measured by reducing quality care issues through quality care management. This can be obtained by developing guidelines for patient satisfaction, formulating a patient complaints procedure in the OPDs, benchmarking with regard to patient loyalty, training on communication skills to all.[8,9] (**Diagram: 1)**

*** INTERNAL PROCESSES:** The strategic theme of internal process includes improved teaching methodology, good communication and quality content can be measured by –total number of learner controlled methods used for teaching, total no. of small group teachings[10] etc.

Measurement & targets of Internal Process Perspective: Current average attendance rate of 77% (practical 83% and theory 71%) can be increased to target of 100%.[11] The current percentage of students passing is 98% can be targeted to 100%.

The objective of improving quality care services can be achieved by the availability of necessary medicines and availability of necessary facilities. This can be measured through delay in service time, patient waiting time, patient complaints, patient complements and follow up care.[4] The target of less than 5% wait time of greater than 20 minutes[4] and 90% incidence of availability of medicines, more than 95% timeliness of follow-up care.

Initiatives to be undertaken: This can be gained by giving timely and regular feedback to each student and their parent regarding their attendance orally/through letters..Also, students getting distinction in the subject can be studied.[11] The target of achieving equal number of teacher-learner controlled methods and curriculum planning needs skill set improvement for teachers and change in the evaluation methods.

Initiatives for reduction of waiting period can be achieved through responsiveness of staff , quality management and continuous effective administration.[4] The set up of patient help desk and increasing the service counters (that holds more delay) can help to improve the situation[9] Maximising skill development clinically and public relations, ensuring staff empowerment and accountability

***LEARNING AND GROWTH:** The learning and Growth Strategic theme is maximum utilisation of teacher's skills , knowledge, experience and provision of innovative teaching learning aids and methods.

Measurement & targets of Learning & Growth Perspective: This can be measured by evaluation of teachers by students and externals. Currently Teacher's satisfaction is 70%. To achieve 90% satisfaction in teachers' evaluation, their training, availability of knowledge base and aids are important.

Initiatives to be undertaken: Complete Staff satisfaction accomplished by on job training in various fields[8,12] delegation, empowerment of work ,holding accountable, supportive supervision and making responsible for their portfolio. Personal growth and development targeted as conducting minimum one CME per year, one publication of research paper, projects, developing health model per teaching faculty.

DISCUSSION

Graham Woodward from Institute for Clinical Evaluative Sciences (ICES),Toronto had applied the Scorecard Framework to Public Health in four main quadrants- Health Determinants and Status, Community Engagement, Resources and Services, Integration and Responsiveness. The outcomes of public health activities fall into three categories: health status, social functioning, and consumer satisfaction[13] Ahmed et all had compared various perspectives & types of performance measurement system to the health care industry. [14] Erica Weir et all , Canada uses 'Report of Institute for Clinical Evaluative Science (ICES), Ontario, Canada, 2004' to develop a BSC for Public Health. Erica explains BSC with four quadrants such as health status determination, resources & services, community engagements, integration & responsiveness. They had given the examples of indicators for all these quadrants such as Teen Pregnancy Rate, Per capita spending on safe water programme, proportion of current programme that have completed formal evaluation, proportion of staff that have received emergency preparedness training, no. of publications respectively. While in the current study for customer satisfaction student & patient satisfaction rate was studied. In internal process, attendance rate of students, patient waiting time, no. of complaints were considered for learning & growth, teachers evaluation, no. of publications were considered.[15]

William Zelman reviewed use of BSC in various healthcare organisations such as health system, hospitals, university departments, long term care, psychiatric centres, insurance companies, national health care organisation, local government etc. Accordingly there will be diversity of missions, services, products & clinical settings. The method used for a health care organisation differs from health care sector. The former wants their BSC to be comparable across time & compares with own benchmark while later compares across the organisation. They can choose their indicators according to their specific mission, services, programmes, operating environment[16] Tian Gao and Bruce Gurd explains customer perspective with indicators such as patient retention, acquisition and satisfaction. Internal Business process with indicators such as length of stay waiting time, mortality index, cost per patient day, staff training, and employee turnover. Indicators under Learning and growth discussed by Gao & Gurd are training time of staff, publications, research projects, absenteeism, staff turnover[8]

SUGGESTIONS

Customer satisfaction:

- patient satisfaction level can be increased to target of 95% by enhanced quality care while Student Satisfaction Survey can be increased to target of 95% by introducing learner based teaching-learning method and use of computer based aids.
- Quality care management is the need of an hour.
- Developing guidelines for patient satisfaction, formulating a patient complaints procedure in the OPDs
- Benchmarking with regard to patient loyalty
- Training on communication skills to all.[8,9]

Internal Processes:

- Overall attendance rate can be enhanced by giving timely and regular feedback to each student and their parents regarding their attendance either orally or through letters.
- The target of achieving equal number of teacher-learner controlled methods and curriculum planning needs skill set improvement for teachers and change in the evaluation methods.
- No. of small group teachings can be increased
- Responsiveness of staff, quality management and continuous effective administration. [4]
- The set up of patient help desk and increasing the service counters that holds more delay can help to improve the situation.[9]
- Maximising skill development clinically and public relations, ensuring staff empowerment and accountability

Learning and Growth:

- Complete Staff satisfaction accomplished by on job training in various fields,[8,12] delegation, empowerment, accountability, supervision of their work.
- Personal growth and development targeted as conducting minimum one CME per year, one publication of research paper, projects, developing health model by each faculty member.

CONCLUSIONS

Balance Score Card is the modern management tool and customized approach that brings out Strengths, Weaknesses , Opportunities and Threats for the Organization for continual improvements. This approach was applied to Dept. of Community Medicine with all four perspectives viz. financial, customer, internal processes & learning and development. Since this department is the part of Municipal Medical College and Hospital where funds are allocated centrally, the financial perspective was not the part of the study. Drawing balanced score card would help to translate departmental strategic objectives into coherent set of performance measures [2]as discussed. BSC approach can be applied to healthcare industry. This would give comprehensive framework that would help managers in the healthcare industry to define strategies, track performance and provide information about organised performance towards its mission.

The administrators must be ready to provide the leadership, commit the resources and train their staff for the implementation to enhance its contribution to organisation and be successful.[2] The measures drawn can be aligned with organisation's strategic objectives which will allow organisation to track student learning while simultaneously monitoring their progress. [11] With a boom in the healthcare industry in India and Government efforts to promote the industry on a global scale, it's a high time for the Indian Healthcare industry to adopt the best global Practices like Balance Score Card

CHALLENGES & LIMITATION

The present study was carried out in general public hospital.

- Public hospital gets grant from local regulatory bodies to operate and hence revenue growth could not form a part of the study, as an initiative under financial strategic theme.
- Developing BSC is a team work with total involvement from top, middle and junior level management .Without involvement of unionised staff, the change process is a great challenge.
- Ideally, maximum number of measurements should not be more than 25 and hence some restrictions had to be imposed while identifying the measures and targets.
- BSC is widely used in the business organizations. An attempt was made to apply this practice in the teaching medical municipal hospital, largely dominated by public/general hospitals in India.
- This is small attempt to comprehend how best BSC can be fitted in existing systems.

SCOPE FOR FURTHER RESEARCH

This study itself is performance measurement tool which is an ongoing process.

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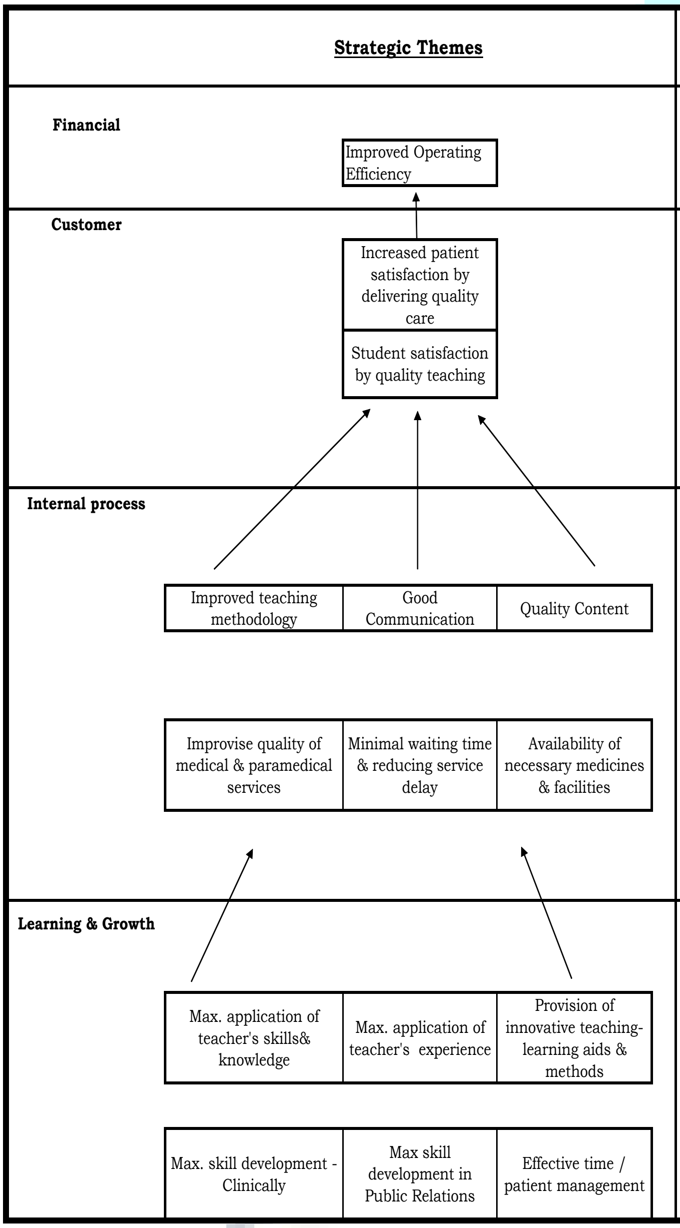
APPENDIX

DIAGRAM NO-1



Measurements	Targets	Initiatives
Net operating expense	Reduction in Variable cost	Effective administration
Patient satisfaction rate	90% satisfaction of Patients	Quality care management: Guideline for patient satisfaction, formulate patient complaint procedure in the OPD, benchmarking with regard to patient loyalty, training on communication skills to all
Quality, image, reputation	0% quality care issues	
Student satisfaction survey	90% satisfaction regarding teaching & learning activities	Introduction of learner based teaching-learning method and use of computer based aids
No of Learner Controlled methods	Equal number of teacher & learner Controlled Methods	Skillsets improvement for teachers
No. of small group teaching		
Global benchmarking	Curriculum planning	Change in evaluation method
Patient waiting time & service time	< than 5%wait times of greater than 20 minutes	Responsiveness Continuous Quality management Effective administration Patient help desk,more no of service counters
Availability of medicines & Facilities	> 90% incedences of availbility of medicine supply	
Patients complaints	0% patient Complaints	
Follow-up Care	95% timeliness of followup care	
Teachers evaluation	90% satisfaction by students & externals	Teachers Training Provision of books & aids
Staff satisfaction Personal Growth & Productivity	90% staff satisfaction 10% job rotation / 3yrs	Staff empowerment, training, Research work, Publications, Health models & Development through CMEs

CHART NO. 1: DISTRIBUTION OF STUDENT SATISFACTION SURVEY

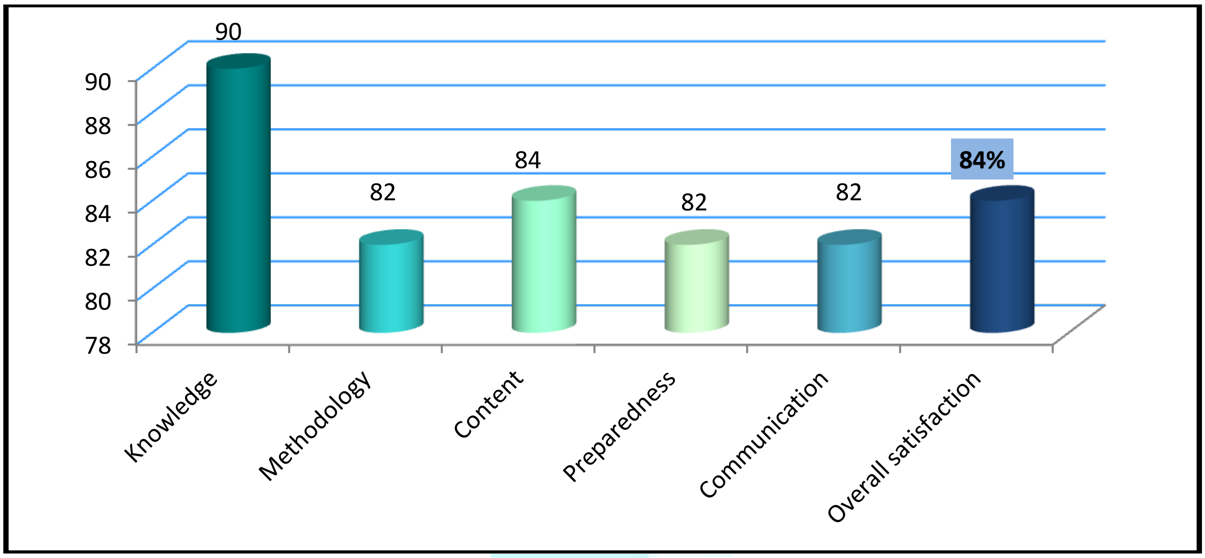
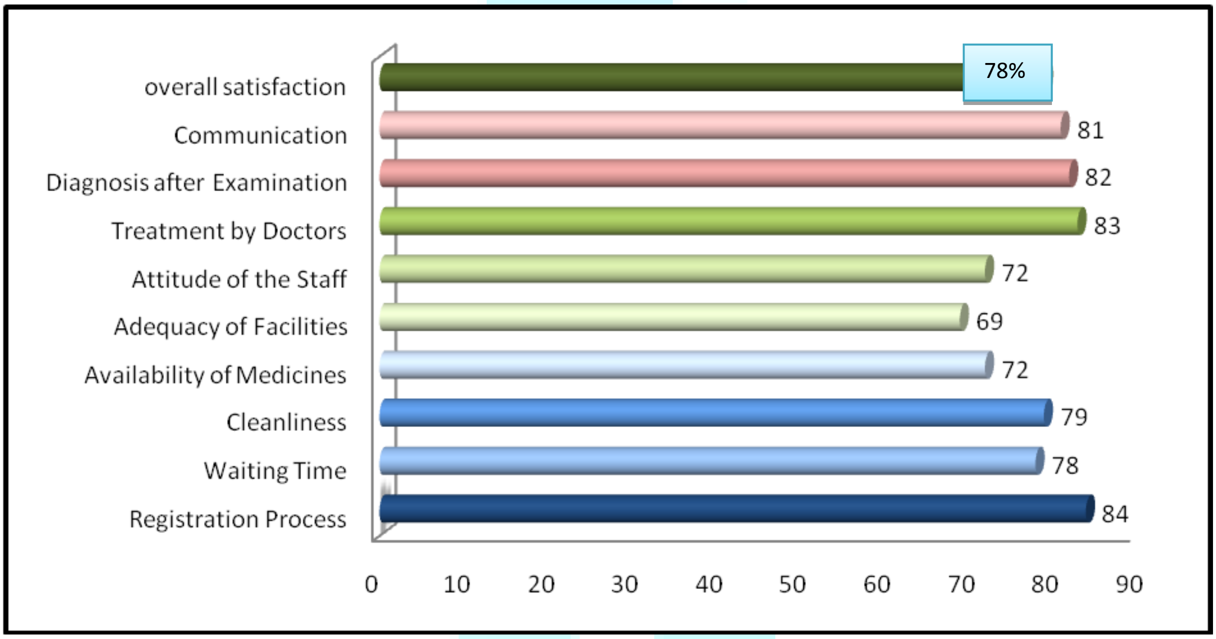


CHART NO. 2: DISTRIBUTION OF PATIENT SATISFACTION SURVEY



ANNUXURE 1

Student Satisfaction Survey

Please note your unbiased feedback. Please tick ( ) in the appropriate box as per your perception.

Please give your rating on a scale of 1 to 5 where **1 is poor and 5 is excellent**.

Knowledge	1	2	3	4	5
Knowledge of the subject taught					
Methodology	1	2	3	4	5
Methodology adopted by the teacher					
Content	1	2	3	4	5
Quality of Content for the lecture					
Preparedness	1	2	3	4	5
Preparedness of the teacher for the lecture					
Communication	1	2	3	4	5
Quality of communication of the teacher					
Rating	1	2	3	4	5
No of answers under each rating					
Total=(No of answers under each rating) x (Rating)					

Max Possible Score	Score as per Rating	%

ANNUXURE 2

Patient Satisfaction Survey:

Please note your unbiased feedback. Please tick ( ) in the appropriate box as per your perception.

Please give your rating on a scale of 1 to 5 where **1 is poor and 5 is excellent**.

Registration Process	1	2	3	4	5
Waiting Time	1	2	3	4	5
Cleanliness	1	2	3	4	5
Availability of Medicines	1	2	3	4	5
Adequacy of Facilities	1	2	3	4	5
Attitude of the staff	1	2	3	4	5
Treatment by doctors	1	2	3	4	5
Diagnosis after examination	1	2	3	4	5
Communication	1	2	3	4	5
Overall satisfaction	1	2	3	4	5
Rating	1	2	3	4	5
No of answers under each rating					
Total=(No of answers under each rating) x (Rating)					

Max Possible Score	Score as per Rating	%

HUMAN RIGHTS CONDITION OF ELDERLY PEOPLE: THE RURAL BANGLADESH CONTEXT

DR. GOLAM AZAM
PROFESSOR, INSTITUTE OF SOCIAL WELFARE AND RESEARCH, UNIVERSITY OF DHAKA
DHAKA

DR. HAFIZ UDDIN BHUIYAN
ASSOCIATE PROFESSOR
INSTITUTE OF SOCIAL WELFARE & RESEARCH UNIVERSITY OF DHAKA
DHAKA

ABSTRACT

The paper is an outcome of a qualitative research study undertaken in rural area of Bangladesh. The study was designed to examine human rights condition of the elderly people, particularly elderly rights abuse and violation. A total of 50 rural elderly people were chosen for the study by using convenience sampling procedure. Qualitative interviewing through in-depth individual interviews, partial participant observation followed by focus group discussions with elderly people and key informants was applied in data collection. The study findings showed that elderly rights abuse was associated with neglect, deprivation and exploitation of the elderly. Out of total elderly people, 80 percent were found to experience lack of right to a standard of living adequate for health and wellbeing including food, clothing, housing, medical care and necessary social services. In particular, they encountered insecurities in the event of unemployment, sickness, disability, widowhood or other lack of livelihood. Thirty percent elderly people reported physical torture and emotional abuse perpetrated by family members. The elderly people who lived alone after death of spouse experienced highly negligence, economic and psychological abuse. Due to less power on properties, high dependency on children, the elderly people were subjects to economic rights abuse. About 40 percent elderly people were forced to surrender property rights to children. Particularly, elderly women were subjects to more economic and psychological abuse. In the event of illness, they were to experience inadequate supply of foods, medical care and emotional support. In the case of elderly recreation, majority had no access to modern recreational equipments except participation in "ADDA", a gathering and gossiping with neighbors, grand sons or daughters. Participation in family decision making and socio-cultural activities were found very insignificant. In fact, the human rights condition of the elderly people in terms of protection, participation and image was found very poor.

KEYWORDS

Elderly People, Human Rights, Survival Pattern and Elderly Abuse.

INTRODUCTION

Over the past several decades, a massive change has taken place in key demographic area like age in the planet. Toady population ageing has been a global concern, and the world is facing profound challenges associated with dramatic increase in the number of population living to an advanced old age. On the grounds of rapid declines in fertility rates and mortality rates along with substantial improvements in health care systems, one out of every ten people on the planet is now 60 years of age or older **(**United Nations Department of Economic and Social Affairs). If the current trend of population growth continues by the year 2050 one, out of five people will be aged 60 years or older and by 2150, one out of every three people will be aged 60 years or older. [1]

According to UNESCAP (United Nations Economic and Social Commission for Asia and the Pacific), Asia is the fastest ageing region in the world. "In the last 40 years, life expectancy in China has risen by 31 years, in the Philippines by 21 years and in Bangladesh by 20 years. Just over half of the world's older people currently live in Asia but, by 2050, Asia will be home to almost two-thirds of the world's older population.[2] However, over the past few decades, there have been changes in the age structure of Bangladesh population as well. The statistics of Bangladesh Population Census indicates that the percentage of elderly is being increased gradually. As for example, the proportions of people aged 60 and over were 4.4%, 5.6% and 5.67 in 1951, 1981 and 2001 respectively. Currently in Bangladesh, approximately eight percent of the total population is over the age of 60 years, life expectancy rates from 2001 to 2006 went from 64 years to 65 years (Bangladesh Bureau of Statistics 2006). In the recent past, radical changes have taken place in the size, composition and living arrangements of families, ownership of property, and the focus of power. The pattern of inter-and intra-generational support and relationships between members of the extended family have dramatically altered. These changes can be witnessed in the increasing trend towards the nuclear family, the erosion of traditional kinship ties, and the weakening of the family as a support system. Today, elderly population of Bangladesh has become an important social concern like many other developing countries, because of the size of the population, scarcity of resources, existing poverty, insufficient health facilities and absence of social security. Consequently, a huge number of older people are bound to experience a wide range of economic and social insecurities including biological neglect and human rights violation (Azam, 2006). The elderly people in Bangladesh are now confronting routine denial of their right to food and 50 percent of older people in rural Bangladesh suffer chronic energy deficiency and 62 percent are at risk of malnutrition (UN Department of Economic and Social Affairs, 2006). Even though the older persons in Bangladesh are still passing their days amidst the tender care and support mostly provided by their extended families, there is no remarkable backing from the state. In recent years, this societal system is not in favor of elderly people and they are deprived of fundamental human rights and privileges as they received before by family and kith and kin. Toady elderly people are highly neglected, deprived and exploited segment of the population. The intensity of elder abuse in terms of psycho-physical mistreatment, neglect and social and economic exclusion is comparatively high in poor families where older people have no or limited access to economic security, health care and medical services, emotional support and basic necessities needed for their well-being. Speaking that a vast majority of older people live under poverty line with a lifestyle of deprivation, ill health and social isolation. They are really ill-fated, neglected, ignored and lack the resources to fulfill their basic needs in terms of food, clothes, housing and health and are also deprived of income opportunities. Apart from deprivation, elderly people are often subject to discrimination and varied human rights abuses. Human rights in terms of respect and image and protection are tremendously absent in the lives of the elderly. Their rights to life, property, freedom, liberty and voice are being enormously jeopardized. This is so much true for older women, who badly suffer from multiple disadvantages resulting from biases to gender, widowhood and old age. Women, particularly widows, who are without living sons or who live alone, are considered to be particularly at higher risk of economic destitution, social isolation, poor health and death. But Bangladeshi women can enjoy power and authority if she happens to be the head of the family. If this association is broken, her access to resources for care and sustenance is reduced, making her vulnerable. This risk increases for women who have no assets for survival, such as education, possessions or social status (Sattar, 2003).

However, overall situations of elderly lives demand necessary initiatives in order that they can gain better quality of life. Obviously, an increased urgency to address to the problems of elderly rights and dignity need to be felt by the people from all walks of life. In Bangladesh, no significant efforts for providing health care and other supports to the rural elderly have been taken at government and private levels. With a view to dealing with elderly problems, extensive information are necessary and that can be done by undertaking research studies on different issues related to elderly problems. .However, in the past, a number of studies on ageing were conducted which showed the socio-economic situation, social and health aspects, Government and Non-government organization intervention for elderly people and ageing as a social problem (Kabir,1999; Kabir and Salam, 2001; Samad and Abedin, 1998; Help Age International, 2000. Rahman, **2002;** BAAIGM; 2005, Nahar, 2006; Peckpek et al., 2007). So far the knowledge goes, no significant and extensive research studies have been conducted on the human rights problems of rural older people in Bangladesh. In view of the fact, the researcher intended to undertake the present study in order to explore new dimensions of elderly problem in terms of living standard and human rights. In fact, the present study was an attempt to produce better understanding and information about human rights problems of rural elderly people in Bangladesh.

OBJECTIVES OF THE STUDY

The main objective of the study was to explore human rights condition and survival pattern of rural elderly people in Bangladesh. The specific objectives of the study were as follows:

1. To know the socio-economic background of rural elderly people;
2. To examine the survival pattern of rural elderly people in terms of basic human needs satisfaction;
3. To explore the human rights situation of rural elderly people;
4. To identify some typical problems faced by the rural elderly;
5. To suggest some measures within the framework of policy implications.

METHODOLOGY OF THE STUDY

Design and Site of the Study*:** The present study was of a qualitative design. The study was limited to a rural area of Bangladesh. Two villages of an Upazila (Administrative Unit) under Brahmanbaria district were chosen purposively for the study. ***Population of the Study: The elderly people of both male and female, who lived permanently in the selected villages, constituted the population of the study. From the study population, a total of 50 elderly people were chosen for qualitative inquiry. ***Sampling Procedure*** *and* ***Sample*:** A total of 50 rural elderly people were selected for the study by using convenience sampling procedure. While selecting the sample, nature and magnitude of human rights problem the elderly encountered were taken into consideration. ***Data Collection Methods*:** Qualitative interviewing through in-depth individual interviews, partial participant observation followed by focus group discussions with elderly people and some key informants was applied in data collection. An unstructured questionnaire having a set of questions relating to livelihood and human rights condition of the elderly were used in data collection. Apart from this, a checklist prepared on major variables was followed in conducting qualitative data collection.

Data Analysis and Presentation of the Findings: Since the study was of qualitative design, data collected in the study were analyzed, and the findings of the study have been presented by using interpretive approach.

KEY FINDINGS OF THE STUDY

Socioeconomic Background Information

The present study showed that elderly people were within the age of 60-80 years. Most of the respondents (60%) were female. About 70 percent rural older people were found illiterate. Of them 20 percent completed 5th Grade or primary education. Only 10 percent elderly people completed 10th grade or SSC (Secondary School Certificate). Of the total elderly people, 50 percent were married and the rest were widow as well as widower. About 70 percent respondents were the member of nuclear family while 30 percent came from joint family. About 50 percent of the poor elderly were found to work in the houses of well-off families both in cash and in kind. The major occupations of the rest elderly were agriculture (30%), day labor (6%), business (4%), and housewife (10%). Household headship was enjoyed by about half of the total respondents of whom the majority was male. The female headship was found in a few women who were widowed and lived with younger children. The study showed that economic ability, gender and power played vital roles in determining the household status of elderly than chronological age.

Income Status and Standard of Elderly Life

Income is the consumption and savings opportunity that the elderly need to maintain their lives or households. Without income no body can lead his/her life with the satisfaction of basic necessities and maintenance of living standard. Among the respondents, 34 percent had no income. About 30 percent had monthly income of BDT 4000 plus. [3] The rest of the respondents were financially better off whose monthly income was closer to BDT 10,500. But with meager amount of income, many of the elderly could not support their family well. Out of total elderly people, 80 percent were found to experience lack of right to a standard of living adequate for health and wellbeing including food, clothing, housing, medical care and necessary social services. In particular, they encountered certain insecurities in the event of unemployment, sickness, disability, widowhood or other lack of livelihood. In the case of rural women elderly, economic dependency or lack of access to regular income was found as one of elderly concerns.

Survival Pattern of the Rural Elderly

With regard to survival pattern, a large majority of the rural elderly were found to be so much dependent on adult children. Despite the fact, a number of the elderly had to do hard work to_manage their livelihood. About 78 percent elderly people were engaged in a variety of economic_activities, particularly in agriculture fields. Of the total respondents, 40 percent managed their livelihood by engaging in agricultural activities. About 60 percent elderly owned some pieces of cultivable land of approximately 30 decimals, where they produced crops for economic survival. Apropos of food intake, the poor elderly used to take one or two meals a day, mostly comprising rice and vegetables. The study showed that most elderly people were found to be devoid of good conception as to the nutritional value of foods, rather they merely knew to have foods to fill in their stomach. About 16 percent elderly were found to manage fishes and meat as regularly as possible. A few poor elderly living in abject poverty took fish and meat once or twice a month or sometimes on special occasions. It was also observed that a good number of adult sons did not provide their responsible care for their aged parents after having married and made separate living with their wives and children. Basically they had to live distressful life without full satisfaction of fundamental needs.

Housing and Living Arrangement

Generally the living arrangements of the elderly are viewed as a measure of their wellbeing. There is a common assumption that co residence with children and grandchildren in multi-generational households benefit the elderly, and that the elderly who live with at least one adult child are better off and better provided for than those who live alone or with non-relatives. Living arrangement of this sort is found in rural families. The poor rural elderly usually live in those houses not full of adequate amenities and suitable for their congenial living. In the study, many elderly people were found not to have authority on houses due to psychosomatic debilities and economic dependency on family members. On the contrary, a number of the elderly having voice and command of economic properties lived in the houses where they wished to live or felt good. Owing to the dearth of sleeping room, they shared beds with other family members. Some houses the poor elderly lived in were found to be tremendously impoverished. In addition, most houses were built with mud and thatch while a few were made of tin and bricks by economically better-off elderly people. About 20 percent well-to-do elderly people were found to enjoy separate living rooms.

Health Care Condition

Health care is one of the fundamental rights for better living of elderly people. In terms of health rights, a significant number of elderly people were found to experience a wide range of health problems. While collecting data, it was found that most of the elderly suffered from fever (50%) followed by digestive problems (38%), gastritis and hyperacidity (28%). In addition, cardiac problem, asthma, cough and cold, dental and eye sights problem, rheumatism and hyper tension were also found to some extent among elderly people. In the case of medical treatment, 36 percent of the rural elderly were used traditional treatment methods such as herbal or plant-based remedies, religion-based healings, homeopathic treatment and the like. The remaining 64 percent had to take treatment at local hospitals or clinics. But rural poor elderly who could not afford medical expenses were found to take financial help from relatives and neighbors. It was evidently found that the adult children who were not financially solvent could not afford caring and services for elderly parents In addition, 60 percent elderly people were found to see or consult specialized medical doctors of city hospitals/clinics when treatment for serious physical illness was indispensable

Leisure Time Recreation among the Elderly

Traditionally, the elderly men as well as women spend their maximum leisure time by interacting with their grandchildren, and participating in simple household chores. In the study, limited opportunities of mental recreation or any other forms of amusement in the lives of the rural elderly were found. Actually the rural elderly had no available access to modern equipments of recreation .The majority of elderly people (90%) used their leisure time by participating in "ADDA", a local gathering and holding talks with neighbors, grandsons or daughters. Moreover, they were found to enjoy leisure time by listening to radio, folk songs and participating in rural sports like Hadudu, Lathikhela, and football. A few well-off elderly people were found to enjoy watching television or participating in social and cultural functions or in organizing religious activities. In the case of women's recreation, study found that women elderly hardly participated recreational functions outside family. Apart from this, a very few educated elderly were found to resort some leisure time activities such as walking, reading the newspaper, listening to the radio, reading book and so on.

Participation in Social and Cultural Functions

Participation in socio-cultural and functions is a basic right of the rural elderly. Generally the elderly who are literate and financially well-off can enjoy participation in multiple socio-cultural and political activities. On the contrary, the elderly without education and wealth can enjoy limited privileges in social participation. In terms of participating in socio-cultural functions, 10 percent respondents were found to hold position in some managing committees of educational, cultural, and religious organizations. About 40 percent respondents took part in social service programs like family planning, expanded immunization program (EPI), rural development activities and also in "shalish" or tribunal to settle some local disputes. Seventy percent elderly reported that younger generation received advices from them because of their wisdom, experience and skill in dealing with social, economic and political problem issues. But participation of many poor elderly in family decision making process was found very insignificant.

Elderly Abuses (Physical, Emotional, Verbal and Economic Abuse)

The elderly are usually abused by intimate partners, children and other family members or close relatives who all are somehow caregivers, service providers, or financial providers. In Bangladesh, because of unequal rights to property and inheritance, huge numbers of women face economic abuse. **[4]** Elderly people who lived alone after death of spouse experienced negligence, economic and psychological abuse. Due to less power on properties, high dependency on children, the elderly people were subjects to economic rights abuse. The study revealed that 30 percent elderly people reported the incidence of physical torture perpetrated by sons as well as daughters-in-law with which hostile relationship and family discord were largely linked. In the study, a good number of women elderly were found to be neglected and deprived of enjoying fundamental rights that provided the tangible sign of gender discrimination. Furthermore, due to the absence of property rights or restricted access to privileges of life, older people experienced economic, emotional, social and even spiritual abuses in their lives. About 40 percent elderly people were found to forcibly surrender their property rights to children. Particularly, dependent elderly women were subjects to more economic and psychological abuses as compared to the aged men. In the event of illness, they had to bear hardship in terms of inadequate supply of foods, medical care and emotional support.

Elderly Rights to Choice and Freedom

The right to choice and freedom is fundamental to elderly people. Like everyone else, older people have the right to work which gives them the right to freely decide, choose and accept work and the right not to be unfairly deprived of it. However, with age, the economic opportunities available to the elderly get narrowed down, thus forcing them into jobs with irregular or low remuneration **(Fanny Cheung).** The study showed that 70 percent of the elderly had no freedom of choosing work .Due to financial hardship; they compelled to have works available in meeting their immediate needs such as food, cloths and care. With the pursuit of economic and social survival, many were bound to do hard and painstaking work for earning and biological survival. By custom, in Bangladesh a patriarchal social system exists and the life of a woman is dominated by this social system. Such a system upholds a rigid division of labor that controls women's mobility, roles and responsibility. Even though recently women's roles, responsibility, and mobility are increasingly changing due to persistent poverty and the gradual erosion of the familial umbrella of support, women elderly are still confined to domestic activities without enjoyment of free choice and freedom. This study found similar picture in the lives of rural elderly.

Some Typical Problems the Elderly Faced

With the decline of physical ability and mental faculty, the elderly has to face physical disabilities, morbidities and loss of employment, isolation from social functioning and so forth. Physical disability often in the aged gives rise to profound anxiety and a sense of apathy and helplessness. The study showed a wide range of problems the elderly encountered in their terminal stage of life. In terms of major problems the elderly experienced, light digestive disorder (78%), want for food (68%) and lack of adequate health care (66%) were found. Problem of accommodation and safe shelter (38%), sleeping in next-door resident's house (18%) were also found. Moreover, lack of suitable clothing (46%), mourning for the bereaved (70%), agony for far living children (36%), and depute with neighbors (22%) were observed in the study. In the study, massive relational problems among family members were found. Because of antagonizing relationship, adult sons and daughters-in-law did not take care of them properly even in the events of illness and other vulnerabilities of life.

DISCUSSION OF THE FINDINGS

The present study revealed that elderly people were within the age of 60-80 years. Most of the elderly (60%) were female. About 70 percent rural older people were found illiterate. Twenty percent elderly people completed 5th Grade or primary education and 10 percent completed 10th grade or SSC (Secondary School Certificate). Of the total elderly people, 50 percent were married and the rest were widowed as well as widower. About 70 percent elderly people were the members of nuclear family while 30 percent came from joint family. About 50 percent rural elderly were found to work in the houses of well-off families both in cash and in kind. The major occupations of the rural elderly were agriculture (30%), day labor (6%), business (4%), and housewife (10%). This finding is consistent with the study of Salam and Kabir (2001). Household headship was enjoyed by about half of the total respondents of whom the majority was male. The female headship was found in a few cases that were widowed and lived with younger children. The study showed that economic ability, gender and power played vital role in determining the household status of elderly than chronological age. This finding is a bit different from the study undertaken by Samad and Abedin **(**1998). Among the respondents, 34 percent had no income. About 30 percent had monthly income of BDT 4000 plus. The rest of the respondents were financially better off whose monthly income was closer to BDT 10,500. With meager amount of income, many of the elderly could not support their family well. In the case of rural women elderly, economic dependency or lack of access to regular income was vigorously observed as one of crucial concerns. This finding is consistent with other study of Kabir (1999). With regard to survival pattern, a large majority of the rural elderly were found very much dependent on adult children. Despite the fact, majority of the elderly had to do manual work to manage their livelihood. About 78 percent elderly people were engaged in a variety of economic activities, particularly in agricultural fields. Of the total respondents, 40 percent managed their livelihood by engaging in a wide variety of agricultural as well as non-agricultural works. In addition, 60 percent elderly people owned some pieces of cultivable land of approximately 30 decimals where they produced crops for economic survival. Apropos of food intake, the poor elderly used to take one or two meals a day, mostly comprising rice and vegetables. The study showed that most elderly people were found devoid of good conception as to the nutritional value of foods, rather they merely knew to have foods to fill in their stomach. About 16 percent elderly were found to manage fishes and meat as regularly as possible. A few poor elderly living in abject poverty line took fish and meat once or twice a month or sometimes on special occasions. Compatible results were found in the study of Islam **(2001).** It was observed that a good number of adult sons did not provide their responsible care for their aged parents. Basically they had to live distressful life without full complacence of fundamental needs. The majority of the elderly had no authority on houses and other properties due to physical disability, mental incapacity and powerlessness. But the elderly having command of economic properties and voice could live in houses where they felt comfort. In the case of room shortage, they shared rooms with other family members. Most of the houses they lived in were found to be impoverished. In addition, most houses were built with mud and thatch while a few ones were made of tin and bricks. In the study, 20 percent well-to-do elderly were found to enjoy separate living rooms. This finding is consistent with a study of Kabir and Salam (2001).

With regard to health problems, a good number of elderly people were found to experience fever (50%) followed by digestive problems (38%), and gastritis and hyperacidity (28%). In addition, cardiac problem, asthma, cough and cold, dental and eye sights problem, rheumatism and hypertension were also found. Consistent findings were found in the study of Rahman (2002**).** In the case of medical treatment, 36 percent of the rural elderly used traditional methods. The remaining 64 percent had to take treatment at local hospitals or clinics. But the poor elderly who could not afford medical expenses were found to seek financial help from relatives, neighbors. It was evidently found that the adult children who were in economic hardship could not afford care and services for the elderly parents. This finding is consistent with the study of Help Age International **(**2000). As regards leisure time enjoyed by the elderly, 90 percent rural elderly spent their spare time by gossiping with grandchildren and neighbors or participating in simple household chores. Moreover, many were found to enjoy a range of leisure activities such as listening to radio, folk songs and participating in village sports such as Hadudu, Lathikhela, and football. A few well-off elderly were found to enjoy watching television, reading news paper and books. Similar result was found in the study of Uddin et al. (2010). In terms of participating in socio-cultural functions, 10 percent elderly people were found to hold positions in some committees of educational, cultural or religious organizations. About 40 percent of them took part in social service programs. Seventy percent (70%) elderly having wisdom, experience and skill rendered advices to the younger in the case of dealing with social, economic development problems. As to elderly mistreatment, 30 percent elderly people reported physical torture perpetrated by sons as well as daughters-in-law. In the study, a good number of women elderly were found to deadly suffer economic, physical, psychological, social and even spiritual abuses within family. Similar findings were found in the study of Azam (2006). Among the elderly, certain typical problems such as digestive disorder (78%), want of food (68%) and lack of health care (66%) were found. Safe accommodation problem (38%), sleeping in next-door neighbor's houses (18%), lack of suitable clothing (46%) mourning for the bereaved (70%) and distant living children (36%) were also remarkably observed in the study. Regarding rights to choice and freedom**,** 70 percent elderly people had no freedom of choosing work for livelihood. Due to financial hardship, they were tended to do any jobs available in meeting their immediate basic needs. For the cause of livelihood and biological survival, many of them were bound to do laborious jobs of various kinds.

CONCLUSION AND RECOMMENDATIONS

The present study was designed to focus on the problems of the rural elderly in terms of human rights and basic needs fulfillment. The study revealed important as well as in-depth information as to human rights conditions affecting the lives of the rural elderly. The findings showed that a vast majority of elderly people in rural Bangladesh lived in poverty, and poverty is coupled with many factors including poor health and lack of employment opportunities, social security and the like. In fact, a significant number of the elderly faced health care, social security problems along with harsh experiences of material deprivation and human rights abuse. Human rights abuses in terms of physical assault, emotional and verbal abuse, and economic exploitation were tremendously observed among the elderly. Women elderly were found to suffer more deprivations and abuses compared to the men elderly. However, based on the study results, the issues for promoting the quality of elderly life need to be embedded in a comprehensive policy and program initiatives. In this respect, family and social support and government assistance will be given greater priority for bettering the condition of elderly life. In addition, constructive changes in the socio-economic and cultural environment, health care system, elderly employment and empowerment should be fostered in such a way that the rural elderly and their families, the media, community organizations, government and law enforcement agencies all can be involved in a wide range of welfare activities for elderly people. Given the multifarious vulnerabilities and social insecurities of the elderly, certain useful and productive programs should be taken for the rural aged especially in mitigating their economic hardships and other sufferings. Policy level initiatives and institutional arrangements to provide social security to the elderly outside the family system should be extended and also be accelerated at maximum level. In rural society, elderly population lack income earning opportunities because of physical limitations, cultural barriers and lack of micro credit. If they are given the training and micro credit, they can earn their livelihood. Instead of being dependent on the families and communities, older people may undertake activities like rearing livestock, small business and rearing poultry for maintaining their livelihood. So, Government should formulate policies and programs for providing extensive financial assistance for the elderly in order for surviving economically in their old age. However, with considerable attention on the welfare of the elderly people, some measures can also be more effective that are to: (a) actively support measures to provide food and social security and shelter for the disadvantaged elderly, (b) support poverty alleviating strategies and conductive environment for improved quality of life. (c) strengthen family support system through advocacy and counseling; (d) promote family responsibilities for elderly, and create awareness in the light of religious values.(e) increase existing old age allowance and expand its coverage, (f) ensure social security and free medical care for childless and helpless elderly couple; (g) ensure housing facilities for the elderly and their rights to property; (h) strengthen the status of the elderly family with normal empowerment; (i) promote the quality of the service delivery system for the elderly; (j) restore traditional joint family system in order that elderly people can live with all family members satisfactorily; (k) undertake comprehensive research studies on multidimensional issues of elderly problems in order to help developing more effective strategies in addressing elderly problems. However, despite institutional arrangement for providing support and care for the elderly in Bangladesh, there are still inadequate services for resolving the problems of the aged people. So the Government and Non-government organizations need to run special service institutions in order to ensure viable economic, social and health securities in the lives of the elderly. Along side, some special measures can be initiated for the welfare of the elderly population which may include medicines at reduced cost, free treatment, health care near the residence, and home care by health workers, increased old age allowance and shelter and food. If all the efforts are properly materialized, and elderly wellbeing is deservedly promoted, they can be able to live their simple lives with maximum satisfaction.

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ORGANIZATIONAL COMMITMENT AND OCCUPATIONAL STRESS OF EMPLOYEES IN PUBLIC SECTOR BANKS: A COMPARATIVE STUDY OF SBI AND PNB BANKS

MEENU SAINI
RESEARCH SCHOLAR
UNIVERSITY SCHOOL OF MANAGEMENT
KURUKSHETRA UNIVERSITY
KURUKSHETRA

DR. NIRMALA CHAUDHARY
PROFESSOR
UNIVERSITY SCHOOL OF MANAGEMENT
KURUKSHETRA UNIVERSITY
KURUKSHETRA

ABSTRACT

Organizational commitment has been defined as a psychological state that characterizes an employee's relationship with an organization and has implications for the decision to continue membership of the organization. Occupational stress can occur when there is a discrepancy between the demands of the environment/workplace and an individual's ability to carry out and complete these demands. The present is a comparative study of organizational commitment and occupational stress level of employees of State bank of India and Punjab National bank. The sample consisted of 168 employees from the different branches of selected banks of which 92 were from SBI (State Bank of India) and 76 from PNB (Punjab National Bank). Assessment of Organizational Commitment was done using Organizational Commitment Scale by Allen & Mayer and Occupational Stress is assessed by Occupational Stress Index developed by A.K. Srivastva and A.P Singh. The obtained data was analyzed using the statistical techniques of Independent t-test to see the difference among employees of SBI & PNB on the Organizational Commitment and Occupational Stress level. The result indicates that the employees of SBI & PNB do not differ significantly on Organizational Commitment scale but employees of SBI are more stressful as compare to PNB.

KEYWORDS

Organizational Commitment, Occupational Stress, Punjab National Bank, Public Sector Banks, State Bank of India.

INTRODUCTION

In the era of globalization, organizations of market economies face strong pressures to be both efficient and produce value added outputs. The goal of efficiency and competitiveness can be attained if organizations possess the right people with the right attitudes and skills. That is why organizations, across the business landscape, are being seen battling out for workforce share in a way they battle for market share. Organizations have realized that their survival largely depends upon their ability to attract, motivate, and retain the key talent needed to meet aggressive business goals and gain competitive edge. While the factors, such as capital, equipment and other resources are important for organizational success and flourish, the human factor appears to be the most important one since it is the people who have to use all other resources. Without the productive efforts and full-hearted engagement of workers, the material and other resources of the organization would be of no use. Not even the latest technologies would be able to produce the targeted results for the organization without the right people with the right attitudes to utilize them. But except this during the past decade, the banking sector had under gone rapid and striking changes like policy changes due to globalization and liberalization, increased competition due to the entrance of more private (corporate) sector banks, downsizing, introduction of new technologies, etc. Due to these changes, the employees in the banking sector are experiencing a high level of stress. The advent of technological revolution in all walks of life coupled with globalization, privatization policies has drastically changed conventional patterns in all sectors. The banking sector is of no exemption.

Organizational commitment has gained the attention of sociologists and psychologists in the past decade as one such variable. Porter (1947) has suggested that Organizational Commitment may be a construct which has the potential of establishing reliable linkages between behavior and other attitudes. Organizational Commitment has grown recently and as such studies on this construct have been concerned with developing the measures of Organizational Commitment and identifying the performance and outcome of it. On the other hand, the World Health Organization says that stress is a worldwide epidemic. A United Nations report labeled job stress as "the twentieth-century disease."According to the National Institute for Occupational Safety and Health (NIOSH), one-fourth of employees view their jobs as the number one stressor in their lives and, three-fourths of employees believe that the worker has more on-the-job stress than a generation ago (NIOSH. 1999).

CONCEPT OF ORGANIZATIONAL COMMITMENT

Organizational commitment in the fields of Organizational Behavior and Industrial/Organizational Psychology is, in a general sense, the employee's psychological attachment to the organization. It can be contrasted with other work-related attitudes, such as job satisfaction, defined as an employee's feelings about their job, and organizational identification, defined as the degree to which an employee experiences a 'sense of oneness' with their organization. Organizational commitment has been defined as "a psychological state that characterizes an employee's relationship with an organization and has implications for the decision to continue membership of the organization" (Meyer and Allen 1991).

According to Cook and Wall (1980), too, organizational commitment has three interrelated components: (1) pride in the organization and internalization of its goals; (2) willingness to invest personal efforts for the sake of organization, and (3) affection for and attachment to the organization and a wish to remain a member of the organization. In the context of this definition, organizational commitment embraces the following three elements. These are (a) the acceptance of organizational goals and a strong belief in these goals (b) willingness to perform substantial efforts on behalf of the organization (c) having a definite desire to maintain organizational membership (Chen et al., 2002; Allen & Meyer, 1990; Agarwal et al., 1999; Nijhof et al., 1998; Uygur, 2004).

Employees with high level of organizational commitment have significant contributions to the achievement of the organization under competitive conditions (Feldman & Moore, 1982). Commitment of employees to the organization and using all his/her skills and expertise for the advancement of the organization concerned is a significance issue. Establishment may have a preference to work with those with high level of organizational commitment. The reason for this is the belief that challenges encountered on the way to reaching goals may be overcome with such employees. Attributes of employees in terms of organizational commitment is the key guide for the success of the business.

CONCEPT OF OCCUPATION STRESS

Occupational stress is stress involving work Stress is defined in terms of its physical and physiological effects on a person, and can be a mental, physical or emotional strain. It can also be a tension or a situation or factor that can cause stress. Occupational stress can occur when there is a discrepancy between the demands of the environment/workplace and an individual's ability to carry out and complete these demands.

Steers (1981) indicate that, "Occupational stress has become an important topic for study of organizational behaviour for several reasons." 1. Stress has harmful psychological and physiological effects on employees, 2. Stress is a major cause of employee turnover and absenteeism, 3. Stress experienced by one employee can affect the safety of other employees, 4. By controlling dysfunctional stress, individual and organisation can be managed more effectively.

REVIEW OF LITERATURE

REVIEW OF RESEARCH CONTRIBUTION ON ORGANIZATIONAL COMMITMENT

A review of the theoretical literature on the organizational commitment construct shows that very little consensus exists among the scholars and researchers on how the construct can be defined conceptually. As the construct develops and evolves over the years, scholars from the various disciplines give their own conceptual definitions as to how the construct should be conceptually defined.

Becker (1960) referred 'commitment to occupation' as that if, for instance, a person refuses to change his job, even though, the new job offers him a high salary and better working conditions, one should suspect that his decision is the result of commitment. **Kanter (1968)** referred it as a process through which individual's interests become attached to carrying out socially organized patterns of behaviours which are seen as fulfilling those interests and as expressions of the nature/ needs of the person. Commitment is an attitude on the part of the employee towards the organization where he/she is working. It is often defined as a strong desire to remain in a particular organization, a willingness to exert high levels of effort on behalf of the organization, and a definite belief in, and acceptance of the value and goals of the organization. In other words, this is an attitude reflecting employees' loyalty to their organization **(Luthans, 2002)**. **Gupta et. al. (1971)** in their study scientist and their commitment to organizational goals found the more harmonious the researcher- supervisor relations, the greater is the commitment. The study also indicates that people with both high experience & low experience need recognition to maintain their commitment to organization goals**. Buchanan (1974)** viewed commitment as a enthusiast, affective attachment to the goals and values of the organization, to one's role in relation to goals and values of, and to the organization for its own sake, apart from its instrumental worth. **Somers (1995)** used a three component model of organizational commitment to study job withdrawal intentions, turnover and absenteeism. Affective commitment emerged as the most consistent predictor of these variables and was only view of commitment related to turnover and to absenteeism. In contrast, normative commitment was related only to withdrawal intentions while no direct effects for continuance commitment were observed. Continuance commitment, however, interacted with affective commitment in predicting job withdrawal intentions and absenteeism. **Tripathi et.al. (2000)** examined the components of organizational culture and its relationship with organizational commitment in ten different organizations (five each in public and private sectors) of an industrial city in northern India with a sample of 200 respondents from lower and middle level managers, found two dimensions of organizational culture , participative and manipulative. In manipulative culture the goal is pore attainment by hook or by crook. On the other hand, in a participative culture the goal is self actualization in harmony with others. It may be assumed that if an organization develops Participative Culture then its members will feel involved too, on the other hand if an organization has the quality of Manipulative Culture people will be loyal toward the organization, but this loyalty in the lack of total involvement, cannot lead the organization to the path of success. Loyalty without identification and involvement puts a question mark on the guarantee of success for the organization. **Kassahun (2005)** explored level of organizational commitment in selected organizations in Delhi and revealed that all the organizational practices and personal characteristics (expect education) established a direct association with organizational commitment. Of these, perceived job autonomy, procedural justice, organizational support and employee age came out as most important predictors of organizational commitment. It was further observed that employees seem to value most freedom in connection to their job followed by procedural fairness, continuous support from management desk, and equity in the distribution of work- related outcomes. **Sowmya & Panchanatham (2011)** in a study on organizational commitment identified the factors influencing organizational commitment of banking sector employees in Chennai. He found that in banks, organizational commitment depends upon the optimistic and affirmative commitment of the employees. It shows a positive signal of the employees revealing the commitment and attachment of employees to the organization. It was also found that the bank employees are enthusiastic in reflecting their continuance commitment in their work environment to provide maximum service to their customers. The organizational commitment of the bank employees is also emphasized through their normative commitment to their organizational goals. It has been assumed by organizational behavior research that individuals who express high commitment in their jobs are likely to be more productive, have higher satisfaction and have less likely to resign than employees with low commitment. **Mangaleswran & Srinivasan (2012)** compared organizational commitment of employees in public sector banks in India and Sri Lanka. The result revealed that employee commitment differs between PSBs in India and PSBs in Sri Lanka. It is Indian PSBs employees are more committed to their Banks than their counter parts. This may be due to the demographic variables such as age, gender, marital status, academic qualifications and tenure etc.

Review of research contribution on Occupational Stress

According to Douglas (1980) stress is defined as any action or situation that places special physical or psychological demand upon a person.

Van Fleet (1988), stress is caused when a person is subjected to unusual situations, demands, extreme expectations or pressures that are difficult to handle. There is growing body of evidence from the studies in various organizational setting suggesting that occupational stress has been increasing implicated in the etiology of poor mental health and psychosomatic diseases (House, McMichael, Wells, Kaplan, & Landerman, 1979), as well as coronary heart disease (Cumming & Cooper, 1979); Friedman & Roseman, 1974; House, 1974). **Rajeshwari (1992)** in a study of bank employees found that level of stress of employees was independent of the position occupied and sex. The study revealed negative relationship between stress and work experience, stress and income, stress and age and family members. The structural rigidity, poor physical working conditions and extra organizational factors to be potent stressors, inducing stress in employees. **According to Pant &Bhardwaj (1992)** work stress found at all the managerial level with different coping strategies. And Indian public sector managers were not high on the workaholics scale but managers at all the levels were committed to their work organization. **Biswas (1998)** conducted a study on life style stressors, Organizational Commitment, Job Involvement and perceived Organizational Effectiveness across job levels to examine the effects of six life style stressors i.e. performance, threat, boredom, frustration, bereavement and physical on organizational commitment, job involvement and perceived organizational effectiveness. It was found that performance, threat, frustration were the predictors of organizational commitment whereas none of the stressors predict job involvement. Perception of organizational effectiveness has a high positive correlation with organizational commitment and job involvement.

The present study attempts to make a caparison into organizational commitment & occupation stress level of employees of SBI and PNB bank, with the hope that the results of the study will provide useful inputs to the banking administration to design appropriate recruitment, selection and development policies to attract and retain talent in public sector banks and to adopt some strategy for stress management.

OBJECTIVES OF THE STUDY

1. To compare the Organizational Commitment level of employees of SBI & PNB banks.
2. To compare the Occupational Stress level of employees of SBI & PNB banks.

HYPOTHESES

Ho1: There is no significant difference in the Organizational Commitment level of employees of SBI & PNB banks.

H02: There is no significant difference in the Occupational Stress level of employees of SBI & PNB banks.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The present study is descriptive and comparative in nature in context of employees working in different branches of SBI and PNB banks located in Haryana. Researcher contacted 250 employees to whom the questionnaires were distributed, out of which 168 were received complete in all respects. An effort has been made to compare the organizational commitment and occupational stress level through standardized questionnaire. Organizational Commitment Scale developed by Natalie J. Allen and John P. Meyer and Occupational Stress Index developed by A.K. Srivastva and A.P Singh were used.

TABLE NO. 1: COMPONENTS OF ORGANIZATIONAL COMMITMENT IN THE ORGANIZATIONS UNDERSTUDY

Sr.	Factors/Components	Organizational Commitment Scale Statements	Total
1	Affective Commitment	1,2,3,4*,5*,6*,7,8*	8 Statements
2	Continuance Commitment	9*,10,11,12*,13,14,15,16	8 Statements
3	Normative Commitment	17,18*,19*,20,21,22,23,24*	8 Statements
	Organizational Commitment		24 Statements

*Negative key items.

The scale consists of 24 items and out of 24 items 15 are 'Positive – Keyed' and 9 are 'Negative – Keyed'. The items relate to all components of the organizational commitment such as affective commitment, continuance commitment and normative commitment.

TABLE NO. 2: COMPONENTS OF OCCUPATIONAL STRESS IN THE ORGANIZATIONS UNDERSTUDY

Sr.	Factors/Components	Occupational Stress Index Statements	Total
1	Role Overload	1,13,25,36,44,46	6 Statements
2	Role Ambiguity	2,14*,26,37	4 Statements
3	Role Conflict	3,15*,27,38,45	5 Statements
4	Group and Political pressures	4,16,28,39	4 Statements
5	Responsibility for persons	5,17*,29	3 Statements
6	Under-participation	6*,18*,30*,40*	4 Statements
7	Powerlessness	7*,19*,31*	3 Statements
8	Poor-Peer Relations	8*,20,32*,41*	4 Statements
9	Intrinsic impoverishment	9,21*,33*,42	4 Statements
10	Low Status	10*,22*,34	3 Statements
11	Strenuous Working Conditions	12,24,35,43*	4 Statements
12	Unprofitability	11,23	2 Statements
	Occupational Stress		46 Statements

*Negative key items

The scale consists of 46 items and out of 46 items 28 are 'Positive – Keyed' and 18 are 'Negative – Keyed'. The items relate to all components of the occupation stress such as role overload, role ambiguity, role conflict, group and political pressures', responsibility for persons, under participation, powerlessness, poor-peer relations, intrinsic impoverishment, low status, strenuous working conditions and unprofitability.

RESULT AND DISCUSSION

Organizational Commitment Scale developed by Natalie J. Allen and John P. Meyer and Occupational Stress Index developed by A.K. Srivastva and A.P Singh were analyzed using descriptive statistics (Mean and Standard Deviation). Mean scores of Organizational Commitment Occupational Stress are presented in Table No-3 and the same is discussed in the following.

TABLE NO 3: DESCRIPTIVE STATISTICS OF EMPLOYEES OF SBI & PNB BANKS

	Bank	N	Mean	Std. Deviations	Std. Error Difference
Organizational Commitment	1	92	.7018	.10453	.01090
	2	76	.7059	.09687	.01111
Occupational Stress	1	92	3.6604	.87215	.09093
	2	76	3.3264	.60395	.06928

Where 1= SBI bank, 2= PNB bank

Analysis of Components of Organizational Commitment Scale

- Organizational commitment as indicated by the mean score, for employees of both banks understudy shows a good organizational commitment. The organizational commitment level employees of both banks SBI bank (.7018) and PNB bank employees (.7059) was almost same.
- Occupational stress level of employees of SBI bank (3.66) was high than the employees of PNB (3.32) bank. The employees of SBI bank were more stressful.

Comparative Analysis of Organizational Commitment Level

TABLE NO. 4: INDEPENDENT SAMPLES TEST

		t-test for Equality of Means			
	T	Df	Sig.(2-tailed)	Mean Difference	Std. Error Difference
OC Equal variances assumed	-.263	166	.793	-.0041	.01568

T-test for equality of means (independent sample) is used to compare the level of organizational Commitment among employees of SBI & PNB banks. In table No 4 the p-value (sig.) of .793 is greater than the alpha.05; there for the null hypothesis 1 that *there is no significant difference in the Organizational Commitment level of employees of SBI & PNB banks* is accepted. This shows that the employees of selected banks (SBI &PNB) are equally attachment to organization.

Comparative Analysis of Occupational Stress Level

TABLE NO. 5: INDEPENDENT SAMPLES TEST

		t-test for Equality of Means			
	T	df	Sig.(2-tailed)	Mean Difference	Std. Error Difference
OS Equal variances assumed	2.824	166	.005	.33394	.11823

The table-5 indicates the comparison the level of Occupational Stress among employees of SBI & PNB banks. T-test for equality of means (independent sample) is used to compare the occupational stress level of employees of SBI & PNB banks. The p-value (sig.) of .005 is less than the alpha.05; there for the null hypothesis 2 that *there is no significant difference in the Occupational Stress level of employees of SBI & PNB banks* is rejected. The mean score indicate that employees of SBI banks are more stressful than the employees of PNB.

CONCLUSION
Occupational stress and organizational commitment are the two extremely important factors which affect productivity and efficiency of an employee at a workplace. This research compared Organizational Commitment and Occupational Stress level of employees of SBI & PNB banks. From the above analysis it can be concluded that equal level of organizational commitment exists in the bank employee's understudy. Employees with high level of organizational commitment have significant contributions to the achievement of the organization under competitive conditions. On the other hand, employees of SBI bank are more stressful as compare to PNB. It has been assumed by organizational behavior research that individuals who express high commitment in their jobs are likely to be more productive, have higher satisfaction and have less likely to resign than employees with low commitment. And individuals who have high stress in their jobs have less productivity.

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RESILIENCE: SELF ASSESSMENT OF MANAGEMENT STUDENTS – A STUDY CONDUCTED IN A BUSINESS SCHOOL

DR. CHARU YADAV
ASSOCIATE PROFESSOR
KOHINOOR BUSINESS SCHOOL
KURLA, MUMBAI

DR. BHARATI DESHPANDE
ASSOCIATE PROFESSOR & HOD
KOHINOOR BUSINESS SCHOOL
KURLA, MUMBAI

ABSTRACT

Resilience is a critical trait required in today's world both professional and personal. Various theories such as developmental cognitive and psychodynamic, stress on the importance of resilience in individual life. The role of resilience in managerial life is worth looking in to. Managers need to be more resilient so that they can bounce back from the loads of pressures and adversities they encounter in business. Business requires specific mindset to meet the demands of the work place environment. In this context there is a need to understand the resilient quality of a manager against his/her personality traits and thinking pattern. With this assumption, the research is designed to examine resilience of management students. Management students would aspire to work in professional organisations or hopefully some would turn into entrepreneurs. The focus of the paper is to assess and measure different attitudes, habits and traits of management students that are associated with resilience. The Resilience Self-Test by Elizabeth Scott was used. The Study was conducted on a sample of 107 management students. Eleven resilience variables, crucial for understanding and dealing with resilience were studied. SPSS 17 is used to analyse the data. Management students need to demonstrate high resilience along with academic knowledge for them to be seen as competent potential employees by hiring managers. Academic rigour and pressure also necessitate the need for students to demonstrate high resilience.

KEYWORDS

Academic Success, Psychological Resource, Psychological Capacity, Resilience, Resilience Variables.

INTRODUCTION

Resilience is one of the essential ingredients to lead a happy and healthy life.
According to Arehart-Treichel (2005) the essence of resilience is the ability to "rebound from stress" and to attain good functioning despite difficulty. Wolin and Wolin (1993) define resilience as achievement of some levels of recovery from a traumatic experience. Common characteristics of resilient individuals include task commitment, verbal ability, intelligence, ability to dream, desire to learn, maturity, internal locus-of-control, risk-taking and self-understanding (Bland, Sowa and Callahan, 1994) and therefore, resilience has been frequently associated with positive emotions, especially in difficult times (Philippe, Lecours and Beaulieu-Pelletier, 2009).
In psychology, resilience implies toughness, persistence and constructive perception of events which help individuals withstand the negative consequences of events and recover with optimism and buoyancy.
Resilience to certain events has been likened to elasticity in metals (Lazarus, 1993). For example, cast iron is hard, brittle and breaks easily (not resilient), whereas wrought iron is soft, malleable, and bends without breaking (resilient). This metaphor can be carried over to psychological resilience, which entails a similar resistance to the psychological strain associated with negative experiences.
Research conducted by Dunn, Iglewicz and Moutier (2008) and Strumpfer (2003) also showed that individuals with higher levels of resilience are less vulnerable to burnout, which prevents people from delivering quality work. This may be a valuable asset for students grappling with academic challenges. These definitions all describe a resilient person as being able to achieve positive outcomes despite challenges, repeated failure or rejection (and the discouragement that follows) and they can prevent people from moving forward and attaining their goals. Resilient individuals are good at overcoming roadblocks.
While some of our resilience is associated with inborn personality traits, it is possible for individuals to develop or enhance their resilience level. Resilience is a dynamic process that can be learned at any given point in life by an individual (Masten, 2001).
Charles Darwin noted British naturalist "It is not the strongest of the species that survive, nor the most intelligent, but the most responsive to change".
Lance Armstrong, the bicyclist who overcame cancer to win the Tour de France many times said, 'we have two options, medically and emotionally: give up, or fight like hell.'
Resilience is very important to a person's health, both mental and physical.
According to Grotberg (1995), resilience is important because it is the human psychological capacity which enables one to face, overcome and be strengthened by adversities of life. On the other hand, a non-resilient person is described as an individual who succumbs to environmental risk (Rigsby,1994). Grotberg (1995) holds the view that all people experience stressful situations that leave them vulnerable, but whether these individuals are crushed or strengthened by adverse situations, depends on the person's level of resilience. It is only recently that the focus on academic success evolved out of this tradition where resilience was linked to positive educational outcomes (Rutter, 1979; Morales, 2008:197).
Research shows that individuals with good interpersonal and self-management abilities have better career success and contribute far more to their organizations than people with only excellent technical skills.

LITERATURE REVIEW

Goleman (1995) and Pink (2005) have argued that individuals must master the skills needed to connect to and influence others, maintain relationships, and manage and control themselves.
Resilience protects against (and reverses) depression, anxiety, fear, helplessness, and other negative emotions, and thus has the potential to reduce their associated physiological effects (Wagnild, 2010)
Gaps in research on predictors of successful academic performance necessitate a search for indicators which may have implications for students in dealing with stressful and challenging situations in their academic career. Students face numerous challenges to their well-being and academic performance during their introduction to higher education, which may prevent them from actualising their full academic potential. It is, therefore, necessary to explore indicators that may predict the success of students entering the higher education domain (Niemann, Rita, Kotze and Tina, 2012).
Student's resilience was correlated with their academic performance because it is a vital psychological resource, capacitating people to cope with challenges. When students at university fail to cope with their challenges, it may result in negative outcomes, preventing them from actualising their full academic potential (Vaez and Laflamme, 2008). Research relating to performance in challenging situations, warrants an understanding of psychological resource capacities

(Siddique, LaSalle-Ricci, Glass, Arnkoff, and Diaz, 2006:667). It therefore seems meaningful to investigate a psychological capacity such as resilience, to "keep students on track" when pursuing their educational goals despite several difficulties (Snyder, et al. 2002: 820).

By developing resilience, students may overcome the stress and uncertainty they face within their higher education environment (Luthans, Avey, Clapp-Smith and Li, 2008:822).

Sills et al. (2004) investigated the relationship of resilience to personality traits, coping styles, and psychiatric symptoms on a sample of college students. Results supported the hypotheses regarding the relationship of resilience to personality dimensions and coping styles. Findings showed that resilience associated with neuroticism and positively related to extraversion and conscientiousness. Margaret et al. (2001) studied resilience in response to life stress - the effects of coping style and cognitive hardiness. In general, results supported a direct effects model of the relationship between life stress and psychological health.

Tebes et al. (2004) examined the relationship between cognitive transformation and indicators of resilience among 35 acutely bereaved young adults and a non-bereaved comparison group. Individuals often report positive, transformative changes in response to adversity. Findings strongly supported the hypothesis that transformation predicts resilience, and may reduce one's risk trajectory to enhance adaptation.

Scott et al. (2007) investigated the role of negative cognitive style in predicting the occurrence of negative life events. Results showed that the individuals with negative cognitive styles generated more negative life events (dependent events and interpersonal events, but not more independent or achievement-related events) than individuals with more positive cognitive styles. These results appear to be unique to women. The professional and hectic life of managers has negatively brought enormous work pressure and personal dilemma while taking decisions. Until and unless managers show certain amount of resilience in their profession, it would become genuinely difficult in sustaining their profession.

Harvard Business Review (2002) reported that ‘more than experience or training, it is a person's level of resilience in the face of stressful circumstances that will determine whether he succeeds or fails’. Resilience at work gives a person the courage and determination to face stressful problems instead of denying or avoiding them. Resilient youths are expected to have two basic sets of skills, inner (intrinsic) and outer (extrinsic). Both skills contribute to the protective factors that keep people with adversity thriving well and towards a life filled with safe risks. Inner components (intrinsic) or self-leadership skills include empathy, caring, equity and social justice, safety, restraint and resistance skills (setting boundaries), planning and decision making (goal setting, problem- solving and creativity), self-efficacy, self-esteem, acceptance, cultural awareness and spirituality. On the other hand, outer components (extrinsic) or relationship, community and social skills include caring family, family communications, family support, high-expectation parents (not expecting perfection but excellence), achievement, family role models, school engagement, parental involvement with school, high expectations school, bonding to school, school boundaries, achievement, caring neighbourhood, neighbourhood boundaries, community values, adult relationships, positive peer relationships and positive peer influence.

According to child-development experts, we all are born with no concept of "self." We construct a self-image first of our bodies, its capacities and limitations through experimentation and then of our essential nature as we gaze into the "mirrors" of our caregivers. A child who generally receives positively reinforcing images of himself as they are reflected in the loving gestures of his primary care- givers soon begins to associate these reflected subliminal messages with his own state of being in the world. In troubled families, however, the mirroring process goes awry and children are at risk of forming an inner self representation that feels defective and unwanted (Swinney 2001). Cognitive theory has revealed many means by which individuals can develop more resilient ways of processing information. Goleman (1996) stated that an individual’s brain parts combine their energies in order to synergistically give rise to the new facet that is, resilience

The ability to absorb the changes effectively to assure continuity and even turn them into opportunities is the resilience capacity of the organization. Positive organizational scholarship literature perceives resilience as a process rather than a static state that organizations possess (Sutcliffe & Vogus, 2003). Based on this view, resilience should not be considered as an attribute or a dimension that organizations possess but instead it is the capability of organizations for turning adverse conditions into an organizational opportunity. Mallak (1999) emphasizes the supportive characteristics of organizational values that develop the culture of resilience within the organization. The values within the organization accentuate understanding the implications of the stressful condition as an essential source of resilience. Organizations are regulated by common rules and organizational routines which inhibit their members' innovative capacity thinking (Garud, Hardy, & Maguire, 2007)

In a study on Resilience-trained Army National Guard soldiers and civilians, 92% or more respondents indicated that the training was helpful and improved resilience competencies that enhanced coping with stressful circumstances whereas 97% or more respondents indicated that these competencies were subsequently used in their military and civilian jobs (Griffith and West, 2013).

People high in resilience have high self-efficacy, seeing themselves as competent people taking risks and responsibilities for their careers, with low need for dependency and able to control what happens to them. Resilience, as a motivational domain, influences a person's persistence in pursuing career goals (London, 1990).

Students ’mindsets—or *implicit theories* about the malleability of human characteristics impacts their academic and social resilience (Dweck, 2006; Dweck, Chiu, & Hong, 1995). Implicit theories, are defined as core assumptions about the malleability of personal qualities. Students’ mindsets can be changed and that doing so, can promote resilience (Dwecket al., 1995; Dweck & Leggett, 1988; Molden & Dweck, 2006). Students can be taught the science underlying people’s potential to change their academically and socially relevant characteristics and they can be shown how to apply these insights to their own lives (Blackwell et al., 2007; Yeager, Trzesniewskiet al., in press).

The resilience construct has gone through several conceptual revisions, beginning with a focus on the individual—traits, characteristics, capacities, abilities, and internal resources—and later evolving into an ecological framework, seeing resilience as a product of the interactions between and among external risk factors, protective factors, and a person’s internal resources, with protective processes mitigating harmful effects on children to differing extents depending on the nature of risks (Luthar et al. 2000).

Central to such an interpretation of resilience is a person’s construction of the meaning of adversity and what s/he perceives to be behavioural options. Thus, even the most vulnerable youth may access inner resources such as self-esteem, attachment, and sense of belonging despite performing what may generally be perceived as delinquent and mal- adjusted behaviours (Ungar and Teram 2000).

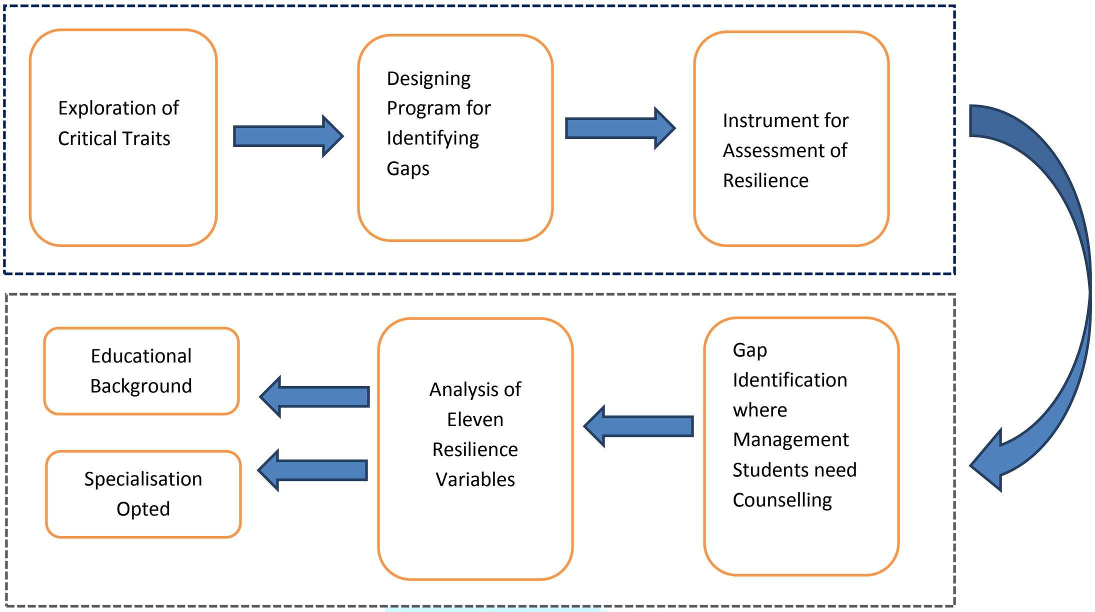
Shek et al. (2005) note that QOL research with reference to the family system (‘‘family quality of life’’) is not substantial. Two dimensions of the concept of ‘‘family quality of life’’ are identified: (a) systemic family functioning (e.g., family climate and communication among family members); and (b) dyadic relationships within the family (Siu and Shek 2005). These two dimensions of ‘‘family quality of life’’ influence the resilience of family members when facing adversity—and this overlaps with the concept of family resilience. The more children experience better family quality of life, the more resilient they will be in the face of adversity.

RESEARCH GAP

Academic challenges and pressures necessitate the need for students to demonstrate high resilience. Existing literature has largely examined student’s resilience and it’s correlation with their academic performance, understanding resilience with respect to coping styles and personality traits.

This paper attempts to understand the concept of resilience amongst management students and examine the relationship between resilience and educational background of management students and specialisation opted by management students.

FIGURE 1: MENTORSHIP PROGRAM - THE CONCEPTUAL MODEL



Source: Author's Research

OBJECTIVES

- To study the concept of resilience amongst management students in a business school
- To explore the relationship between Resilience and Educational Background of Management students
- To explore the relationship between Resilience and Specialisation Opted by Management Students.
- To identify the resilience variables that are weak and to recommend ways to improve the same

RESEARCH METHODOLOGY

TYPE OF STUDY

The study undertaken was empirical in nature to explore the relationship between Resilience and Educational Background as well as Resilience and Specialisation Opted by management students.

INSTRUMENT USED

The Resilience Self-Test by Elizabeth Scott was used. The Questionnaire consisted of eleven questions which focused on eleven resilience variables. The questionnaire had a mix, where certain questions had either two or three alternatives responses to be given. Scores were computed separately for each of the eleven resilience variables.

The eleven resilience variables crucial for understanding and dealing with resilience were: Adaptability, Being action oriented when faced with problems, Existence of a supportive social network, Ability to understand one's emotions, Being goal oriented, Being optimistic, Ability to cope with stress, Focus on a healthy life style, Faith in a higher power, Having a Sense of meaning in life and Internal locus of control.

DATA COLLECTION

Primary Data was collected for undertaking the study.

SAMPLE DESCRIPTION

The total sample undertaken for the study consisted of 107 management students.

With reference to Educational Background: 36% students had a Commerce background, 29% students had a background with respect to Management Studies and 35% students had a Technical background.

With reference to Specialisation opted by students: 40% students opted for Marketing, 39% opted for Finance, 16% opted for Human Resources, 2% opted for IT and 3% opted for Operations.

ANALYSIS

Reliability of the instrument: To validate the instrument Cronbach's Alpha was used.

TABLE 1: RELIABILITY STATISTICS

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.988	.999	10

Analysis was done with respect to Educational Background of the students, where three categories were identified: Commerce, Management and Technical

Analysis was also done with respect to Specialisation opted by students, where five categories were identified: Marketing, Finance, Human Resource, IT and Operations

Eleven variables associated with resilience were analysed and coded data was analysed using descriptive statistics and ANOVA in SPSS 17.

Descriptive Statistics of Education

TABLE 2: MEAN AND STANDARD DEVIATION FOR 11 VARIABLES ASSOCIATED W ITH RESILIENCE

		N	Mean	Std. Deviation
Adaptability	Commerce (1)	39	1.54	.505
	Management (2)	31	1.48	.508
	Technical (3)	37	1.27	.450
	Total	107	1.43	.497
Being Action oriented when faced with problems	Commerce (1)	39	1.74	.715
	Management (2)	31	2.03	.706
	Technical (3)	37	1.57	.728
	Total	107	1.77	.734
Existence of a supportive social network	Commerce (1)	39	1.38	.544
	Management (2)	31	1.35	.486
	Technical (3)	37	1.43	.555
	Total	107	1.39	.528
Ability to understand once emotion's	Commerce (1)	39	1.51	.506
	Management (2)	31	1.42	.502
	Technical (3)	37	1.41	.498
	Total	107	1.45	.500
Being Goal Oriented	Commerce (1)	39	1.90	.641
	Management (2)	31	1.71	.461
	Technical (3)	37	1.81	.660
	Total	107	1.81	.601
Being optimistic	Commerce (1)	39	1.49	.506
	Management (2)	31	1.26	.445
	Technical (3)	37	1.22	.417
	Total	107	1.33	.471
Ability to Cope with stress	Commerce (1)	39	1.59	.498
	Management (2)	31	1.29	.461
	Technical (3)	37	1.38	.492
	Total	107	1.43	.497
Focus on healthy life style	Commerce (1)	39	1.77	.427
	Management (2)	31	1.71	.461
	Technical (3)	37	1.62	.492
	Total	107	1.70	.460
Faith in a higher power	Commerce (1)	39	1.21	.409
	Management (2)	31	1.23	.425
	Technical (3)	37	1.19	.397
	Total	107	1.21	.406
Sense of Meaning in life	Commerce (1)	39	1.59	.549
	Management (2)	31	1.74	.445
	Technical (3)	37	1.51	.559
	Total	107	1.61	.528
Internal Locus of control	Commerce (1)	39	1.51	.506
	Management (2)	31	1.29	.461
	Technical (3)	37	1.27	.450
	Total	107	1.36	.484

With respect to Table 2, Students with Commerce background showed highest resilience with respect to 'Being goal oriented' and lowest resilience with respect to having 'Faith in a higher power'. Highest variation in responses seen with respect to 'Being action oriented when faced with problems'. Students differ significantly in their approach towards 'Being action oriented when faced with problems'. Lowest variation in responses was seen with respect to 'Having faith in a higher power'.

Students with Management background showed highest resilience with respect to 'Being action oriented when faced with problems' and lowest resilience with respect to having 'Faith in a higher power'. Highest variation in responses seen with respect to 'Being action oriented when faced with problems'. Lowest variation in responses was seen with respect to 'Having faith in a higher power'.

Students with Technical background showed highest resilience with respect to 'Being goal oriented' and lowest resilience with respect to having 'Faith in a higher power'. Highest variation in responses seen with respect to 'Being action oriented when faced with problems'. Lowest variation in responses was seen with respect to 'Having faith in a higher power'.

In the Test of Homogeneity of Variances, highest homogeneity of responses seen with reference to resilience variable having 'Faith in higher power'.

HYPOTHESIS

Ho: There is no significant relationship in educational background and resilience amongst management students.

$H\alpha_1$: There is a significant relationship in educational background and resilience amongst management students.

TABLE 3: ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.	Hypothesis
Adaptability	Between Groups	1.493	2	.746	3.139	.047	Rejected
	Within Groups	24.732	104	.238			
	Total	26.224	106				
Being Action oriented when faced with problems	Between Groups	3.674	2	1.837	3.572	.032	Rejected
	Within Groups	53.485	104	.514			
	Total	57.159	106				
Existence of a supportive social network	Between Groups	.105	2	.053	.186	.830	Accepted
	Within Groups	29.409	104	.283			
	Total	29.514	106				
Ability to understand once emotion's	Between Groups	.256	2	.128	.509	.603	Accepted
	Within Groups	26.211	104	.252			
	Total	26.467	106				
Being Goal Oriented	Between Groups	.609	2	.305	.841	.434	Accepted
	Within Groups	37.653	104	.362			
	Total	38.262	106				
Being optimistic	Between Groups	1.602	2	.801	3.795	.026	Rejected
	Within Groups	21.949	104	.211			
	Total	23.551	106				
Ability to Cope with stress	Between Groups	1.699	2	.849	3.601	.031	Rejected
	Within Groups	24.526	104	.236			
	Total	26.224	106				
Focus on healthy life style	Between Groups	.417	2	.209	.985	.377	Accepted
	Within Groups	22.013	104	.212			
	Total	22.430	106				
Faith in a higher power	Between Groups	.023	2	.011	.067	.935	Accepted
	Within Groups	17.454	104	.168			
	Total	17.477	106				
Sense of Meaning in life	Between Groups	.899	2	.450	1.634	.200	Accepted
	Within Groups	28.615	104	.275			
	Total	29.514	106				
Internal Locus of control	Between Groups	1.357	2	.679	3.012	.053	Accepted
	Within Groups	23.428	104	.225			
	Total	24.785	106				

With reference to Table 3, we accept the null hypothesis that there is no significant relationship in educational background and resilience amongst management students with respect to Existence of a supportive social network, Ability to understand one's emotions, Being goal oriented, Focus on a healthy lifestyle, having Faith in a higher power, having a Sense of meaning in life and Internal locus of control. Educational background does not impact the above resilience variables. Educational background has an impact on the following resilience variables: Adaptability, Being action oriented when faced with problems, Being optimistic and Ability to cope with stress.

DESCRIPTIVE STATISTICS OF SPECIALISATION OPTED AND RESILIENCE

TABLE 4: MEAN AND STANDARD DEVIATION FOR 11 VARIABLES ASSOCIATED WITH RESILIENCE

		N	Mean	Std. Deviation
Adaptability	Marketing (1)	43	1.44	.502
	Finance (2)	42	1.43	.501
	HR (3)	17	1.41	.507
	IT (4)	2	1.50	.707
	Operations (5)	3	1.33	.577
	Total	107	1.43	.497
Being Action oriented when faced with problems	Marketing (1)	43	1.86	.743
	Finance (2)	42	1.71	.742
	HR (3)	17	1.88	.697
	IT (4)	2	1.00	.000
	Operations (5)	3	1.00	.000
	Total	107	1.77	.734
Existence of a supportive social network	Marketing (1)	43	1.40	.541
	Finance (2)	42	1.43	.547
	HR (3)	17	1.29	.470
	IT (4)	2	1.50	.707
	Operations (5)	3	1.33	.577
	Total	107	1.39	.528
Ability to understand once emotion's	Marketing (1)	43	1.35	.482
	Finance (2)	42	1.55	.504
	HR (3)	17	1.47	.514
	IT (4)	2	1.00	.000
	Operations (5)	3	1.67	.577
	Total	107	1.45	.500
Being Goal Oriented	Marketing (1)	43	1.93	.552
	Finance (2)	42	1.79	.645
	HR (3)	17	1.65	.493
	IT (4)	2	2.00	1.414
	Operations (5)	3	1.33	.577
	Total	107	1.81	.601
Being optimistic	Marketing (1)	43	1.30	.465
	Finance (2)	42	1.40	.497
	HR (3)	17	1.24	.437
	IT (4)	2	1.00	.000
	Operations (5)	3	1.33	.577
	Total	107	1.33	.471
Ability to Cope with stress	Marketing (1)	43	1.33	.474
	Finance (2)	42	1.55	.504
	HR (3)	17	1.35	.493
	IT (4)	2	1.50	.707
	Operations (5)	3	1.67	.577
	Total	107	1.43	.497
Focus on healthy life style	Marketing (1)	43	1.65	.482
	Finance (2)	42	1.71	.457
	HR (3)	17	1.88	.332
	IT (4)	2	2.00	.000
	Operations (5)	3	1.00	.000
	Total	107	1.70	.460
Faith in a higher power	Marketing (1)	43	1.19	.394
	Finance (2)	42	1.17	.377
	HR (3)	17	1.29	.470
	IT (4)	2	1.50	.707
	Operations (5)	3	1.33	.577
	Total	107	1.21	.406
Sense of Meaning in life	Marketing (1)	43	1.63	.578
	Finance (2)	42	1.55	.504
	HR (3)	17	1.76	.437
	IT (4)	2	2.00	.000
	Operations (5)	3	1.00	.000
	Total	107	1.61	.528
Internal Locus of control	Marketing (1)	43	1.35	.482
	Finance (2)	42	1.43	.501
	HR (3)	17	1.29	.470
	IT (4)	2	1.00	.000
	Operations (5)	3	1.33	.577
	Total	107	1.36	.484

With reference to Table 4, overall highest resilience shown with respect to 'Being goal oriented', lowest resilience shown with respect to having 'Faith in a higher power'. Highest variation in responses shown with respect to 'Being action oriented when faced with problems' and lowest variation in responses shown with respect to having 'Faith in a higher power'

In the Test of Homogeneity of Variances**,** highest homogeneity of responses seen with reference to resilience variable 'Adaptability'

HYPOTHESIS

Ho: There is no significant relationship in specialization opted and resilience amongst management students.

$H\alpha_1$: There is a significant relationship in specialization opted and resilience amongst management students.

TABLE 5: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.	Hypothesis
Adaptability	Between Groups	.050	4	.012	.048	.996	Accepted
			102	.257			
	Total	26.224	106				
Being Action oriented when faced with problems	Between Groups	3.660	4	.915	1.744	.146	Accepted
	Within Groups	53.499	102	.524			
	Total	57.159	106				
Existence of a supportive social network	Between Groups	.253	4	.063	.221	.926	Accepted
	Within Groups	29.261	102	.287			
	Total	29.514	106				
Ability to understand once emotion's	Between Groups	1.393	4	.348	1.417	.234	Accepted
	Within Groups	25.074	102	.246			
	Total	26.467	106				
Being Goal Oriented	Between Groups	1.851	4	.463	1.296	.277	Accepted
	Within Groups	36.411	102	.357			
	Total	38.262	106				
Being optimistic	Between Groups	.637	4	.159	.709	.588	Accepted
	Within Groups	22.914	102	.225			
	Total	23.551	106				
Ability to Cope with stress	Between Groups	1.329	4	.332	1.361	.253	Accepted
	Within Groups	24.896	102	.244			
	Total	26.224	106				
Focus on healthy life style	Between Groups	2.326	4	.582	2.951	.024	Rejected
	Within Groups	20.104	102	.197			
	Total	22.430	106				
Faith in a higher power	Between Groups	.436	4	.109	.652	.627	Accepted
	Within Groups	17.041	102	.167			
	Total	17.477	106				
Sense of Meaning in life	Between Groups	2.004	4	.501	1.857	.124	Accepted
	Within Groups	27.510	102	.270			
	Total	29.514	106				
Internal Locus of control	Between Groups	.536	4	.134	.563	.690	Accepted
	Within Groups	24.249	102	.238			
	Total	24.785	106				

With reference to Table 5, we reject the null hypothesis with respect to resilience variable: Focus on a healthy life style.

IMPLICATIONS

Students should enhance their awareness and attitudinal and perceptual changes required with respect to critical resilience variables.

One major factor of emotional and physical resilience is one's ability to cultivate a supportive network of friends and family. It is important to remember that we all have our own challenges, and we cannot expect others to do the work of coping for us, however people who can help you process your feelings, people whom you can count on for support, and those who share your good times and bad can also help to strengthen and lengthen one's life. With a social support, it is important to be able to really talk to one's friends , even if there are a few; having many acquaintances that one cannot trust or relate to on a deeper level, is not as effective and, in some cases, can be damaging.

In today's time with technological advancements, where individuals have numerous channels of communication which has made access and frequency of communication easy, this however does not imply that individuals will necessarily communicate at a deeper level.

Resilience is an essential ingredient towards leading a happy and healthy life and is described as the ability to "rebound from stress" and to attain good functioning despite difficulties, challenges and repeated failure or rejection. It is important for students to understand that there are times when things do not work out as per our plans despite our best efforts or we do not achieve certain things that we aspire or desire to possess, in such situations having faith in a higher power helps us to cope with such disappointments by understanding that certain things or events were not meant to happen and are not within our control. Such a thought process leads to inner peace and reduces stress. Those who are spiritual or believe in a power outside of themselves tend to be healthier and more resilient. This however does not mean that those who are not spiritual cannot be healthy or happy, but those with a spiritual connection to a higher power that resonates with them do tend to enjoy many specific benefits.

Focus on a healthy lifestyle will help individuals to be more resilient emotionally as well as physically. A healthy lifestyle has immense and surprising benefits that the younger generation should be aware of.

Those with a strong sense of meaning in life tend to fight harder against adversity and are able to incorporate life's challenges more easily. We are all meaningful individuals—everyone has a unique value in the world; being in touch with your own innate value and developing a strong awareness and understanding of your life's meaning can help you to become more resilient.

Understanding one's emotions and where they come from is a big part of being able to manage emotional upset and find effective coping strategies. Emotions can work as signals to tell individuals if something in their life needs to change. Therefore, understanding one's emotions, knowing why we feel upset and what specifically is bothering us, can help individuals to reorganize, make changes, and eliminate future problems.

The simple state of having goals for oneself is a trait of resilience, remembering to set personal goals and stick with them is a strong sign of resilience. One significant difference between individuals who cope well and those who do not, is their ability to trust the process and stick with it. Those who find the most positive results are individuals who do not give up, trust that their efforts will pay off, and just keep going.

Having an Internal locus of control is a critical resilience variable. It is natural for individuals to feel anger, fear, sadness and other emotions when faced with a major life challenge. Recognizing what one can control in the situation (one's responses), and taking comfort in that level of control can lead to greater levels of emotional resilience. Developing this attitude—an 'internal locus of control'—can provide individuals with strength and other benefits throughout their life.

An individual's ability to adapt to change has a significant correlation with resilience. Stress often comes from change; learning to navigate change is vital in life, where the only constant is change. It may not come naturally at first, however learning to easily adapt to change can foster resilience, and is worth the effort.
It can be unhealthy to obsess and panic about a challenging or potentially scary situation, becoming educated and making an action plan are paths to resilience. Those who are more action-oriented when it comes to dealing with crisis are finding a healthy outlet for their anxiety, and when put into a well-planned strategy, that can lead to a more successful outcome, while ruminating in negative emotions or ignoring the problem altogether can have more negative effects.
Optimism is a very important component of emotional resilience. Individuals who are able to see the positive aspects of a difficult situation, and are able to hold onto a belief in themselves during good times and challenges, tend to turn negative events to their advantage. Developing a more optimistic way of thinking is an effective way to strengthen resilience.
Learning to laugh (instead of crying, sometimes) when life is throwing challenge after challenge, is an important part of resilience. It may be difficult and challenging to laugh when times are tough, however that is the very time when laughter can do the most good.

CONCLUSION
Resilience is a critical trait required in today's world both professional and personal. With respect to students, academic rigour and pressure necessitate the need for students to demonstrate high resilience and these students would be potential employees in organisations or become entrepreneurs. Business is becoming more complex; being responsive to change is a critical requirement today. Organisations need resilient employees; hiring managers classify flexibility and adaptability as essential employee traits and assess candidates on the same. Students need to understand critical resilience variables and how they contribute to success.

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ACHIEVING INCLUSIVE GROWTH THROUGH MGNREGA AMONG THE RURAL POOR IN INDIA

DR. PARVATHAMMA.G.L.
ASSOCIATE PROFESSOR
DEPARTMENT OF ECONOMICS
BANGALORE UNIVERSITY P.G. CENTRE
KOLAR

ABSTRACT

The focus of the government in recent years has shifted from promoting Incredible India to building Inclusive India. Inclusive growth needs to be achieved in order to reduce poverty, to create additional gainful employment and other social and economic disparities, and also to sustain economic growth. Inclusive growth thus seeks to broaden the flow of benefits of policies towards the currently excluded sections. However, for achieving inclusive growth, it is essential that the diffusion of opportunities be supported with good governance and accountability. Now, the planning commission included inclusive growth for the poor in the growth and development process. MGNREGA is one of the important acts for the rural people to include in the growth process. It is helpful in reducing poverty in rural areas by providing 100 days guaranteed wage employment and to create infrastructures and helpful in raising the standard of living of the rural people by under taking Labour-intensive tasks like creating infrastructure for water harvesting, drought relief and flood control. In this back ground, the present study made an attempt to assess the need and importance to build Inclusive India and emphasizes on its imperativeness on inclusive growth and aims at examining the effectiveness of MGNREGA on excluded section of the rural areas. It presents the opportunities available for building an inclusive India. The main objectives of the study are to examine the impact of MGNREGA on some of the social and economic factors of the rural people such as employment and wages. The study is based on secondary data and some of the findings of the study on aforesaid objectives to be discussed in the paper.

KEYWORDS
Inclusive growth, MGNREGA, Employment generation, excluded section.

INTRODUCTION

Reforms undertaken in the early 1990s made India one of the world's fastest growing economies. The boom of the IT industry and improved industrial production created an atmosphere of optimism, which led to the coining of phrases, such as Incredible India, India Shining, and India 2020 around the end of the millennium. The Indian growth story has been one of high Gross Domestic Product (GDP) growth but primarily driven by the growth in services sector. Not all sectors of the economy have grown at the same pace as is reflected in the relatively low agricultural growth rate, low-quality employment, poor education, inadequate healthcare services, rural-urban divide, social inequalities, and regional disparities. Growth that is not inclusive affects the society, the economy, and the polity.

India's growth has primarily benefited its urban elite and middle class population who are engaged largely in the fast-growing services sector. The Indian middle class, defined as those consuming between 2 and 20 US dollars per day, has grown by about 205 million between 1990 and 2008.However, around 70 percent of the poor are from rural areas, where there is a lack of basic social and infrastructure services, such as healthcare, roads, education, and drinking water. Stunted agricultural growth, relatively high food prices, and low rural wages, insufficient government spending on rural development and obsolete infrastructure are key determinants of rural poverty. Significant interstate as well as intrastate regional disparities continue to exist in India. Low growth rates and poor public services in the poorer states further widens the disparity in development.

Around 58 percent of the workers in India are involved in the agricultural sector. Despite this, the contribution of agricultural and allied sectors in the GDP is only around 14%. Hence, for the removal of poverty, unemployment and disparities it is imperative that the rural farm and nonfarm sectors be promoted. Agriculture continues to suffer from fragmented land holdings and water availability problems. Further, it is vulnerable to crop procurement prices and weather conditions. Poor monsoons lead to crop failures and subsequently in debt repayment distress for farmers. An estimated 86% of the Indian workforce is engaged in the informal or unorganized sector; however, the quality of employment remains a problem. Workers in this sector have virtually no social security. A report by World Bank suggests that, inclusive growth approach takes a longer term perspective as the focus is on generating productive employment rather than on direct redistribution of income as a means of improving financial well-being of the excluded groups.

In India, more than 70 percent people live in rural areas and among rural population, marginalized sections of the Society is more vulnerable. India already achieved a very impressive growth rate of more than 8 per cent in the Eleventh plan, but the country is still facing the problem of mass poverty, especially in the rural areas. This needs special attention by the government. Successive governments have initiated several projects, such as Jawahar Rozgar Yojna, Integrated Rural Development Program, Rural Housing Scheme, and Swarnjayanti Gram Swarozgar Yojana to promote inclusive growth in India. In recent years the government has done a commendable work by enacting employment guarantee act i.e. The Mahatma Gandhi National Rural Employment Guarantee Act in 2005. The Act was enacted in 2005 and came into force on February 2, 2006. Initially, it was introduced in 200 most backward districts and latter on in April 1, 2008, implemented in all the districts, except the districts with hundred per cent urban. The Act gives the legal right to the rural people to get at least 100 days employment, which is expected to reduce the poverty level in the rural areas. The present study mainly deals with the Mahatma Gandhi National Rural Employment Guarantee Act, 2005, how it is helpful in reducing poverty in rural areas and improve socio economic life by providing 100 days guaranteed wage employment. The second ry data for this purpose collected through secondary sources provided by the planning commission, MIS report on MGNREGA and other sources. The data has been analyzed to know the impact of MGNREGA on the employment and income of the rural people

STATEMENT OF THE RESEARCH PROBLEM

The statement of the research problem is to address the need and importance of building Inclusive India. It also presents the opportunities available for building an inclusive India. The study aims at identifying the variables such as man days of employment generated and wage rates which lead to the inclusion of excluded rural poor and their growth. It also examines the challenges, problems & impact of MNREGA on some of the social and economic factors of the rural people.

OBJECTIVES OF THE STUDY

The present research study sets the following objectives;
1. To analyses the need and importance to build Inclusive India.
2. To assess the impact of MGNREGA on man days of employment generated in rural areas.
3. To examine the wage rates and its variation among different states.

RELEVANCE AND NEED TO BUILD INCLUSIVE INDIA

It is relevant for the present Economic and Social conditions of the Indian Economy. Because of its nearly 1 billion inhabitants, (an estimated 350-450 million) are below the poverty line. According to the new World Bank's estimate on poverty, based on 2005 data, India has 456 million people, 41.6 percent of its population, living below the new international poverty line of $1.25 (PPP) per day and more than 400 millions are unemployed. Generation of productive employment (decent work) for labourforce in the economy is very essential, as employment is a key to inclusive growth. Employment generation in all sectors, regions and for all socio-economic groups Particularly (1) for poorer sections of population, (2) backward regions, (3) lagging sectors and (4) SC / ST / OBC / women etc Inclusion of small enterprises / producers preferably in a decentralized framework Controlling inequalities and disparities

TABLE-1: EMPLOYMENT AND UNEMPLOYMENT IN MILLION PERSON YEARS (BY CDS BASIS)

Items	1983	1993-94	1999-00	2004-05	CAGR 1983 to 1993-94	CAGR1993-94 to 1999-2000	CAGR1999-00 to 2004-05
Population (Millions)	718.10	893.68	1005.05	1092.83	2.11	1.98	1.69
Labour Force(Millions)	263.82	334.20	364.88	419.65	2.28	1.47	2.84
Work force(Millions)	239.49	313.93	338.19	384.91	2.61	1.25	2.62
Unemployment Rate (%)	9.22	6.06	7.31	8.28	NA	NA	NA
No. of unemployed	24.34	20.27	26.68	34.74	NA	NA	NA

Source: various rounds of NSS data

The above table1 shows the growth rate of population, labour force, work force and unemployment in India. Estimates on employment and unemployment on CDS basis indicate that employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1993-94 to 1999-2000.During 1999-2000 to 2004-05 about 47 million work opportunities were created. Only 24 million during the period between 1993-94 and 1999-00. Nearly 35 million of labour force was unemployed.

To tackle all the above cited problems it is essential to implement inclusive policies.MGNREG one among such policies. The most important feature of the act is that, it is inclusive in nature as a result of the basic objective and vision of the act. The act targeted the growth and development of the economy with the aims of poverty reduction among the rural people through employment generation. The act not says about only employment generation, but guarantees all the rural people without distinction of below poverty line, for at least 100 days. The act for employment generation is certainly distinct from earlier employment generation schemes which never given a legal right to demand employment from the government. The following goals of the MGNREGA bring into force to make the rural people inclusive.

1. Social protection for the most vulnerable people living in India.
2. Livelihood Security for the poor through creation of durable assets, improved water security, soil conservation and higher land productivity.
3. Drought proofing and flood management in rural India.
4. Empowerment of the socially disadvantaged, especially women, scheduled castes and scheduled tribes, through the process of ' a rights–based' legislation.
5. Strengthening decentralized, participatory planning through convergence of various anti-poverty and livelihood initiatives.
6. Deepening democracy at the grass-roots by strengthening Panchayat Raj Institutions.
7. Effecting greater transparency and accountability in governance.

NREGA KEY TO INDIA'S FOOD SECURITY

Raising the productivity of the rain fed areas of which the backward districts constitute 60 per cent is an imperative if we were to meet the goal of national food security in the coming years. Estimates show that even in the most optimistic scenario of further irrigation development in India, nearly 40 per cent of national demand for food in 2020 will have to be met through increasing the production of rain fed dry lands agriculture. Nearly 65 per cent of the national unutilized irrigation potential is in the eastern parts of the country, comprising the medium to high rainfall regions of West Bengal, Bihar, Jharkhand, Orissa, Chhattisgarh, eastern Uttar Pradesh and northern AP, all NREGA areas. These areas also form the chunk of India's degraded lands. India needs to treat 125 million Ha of land under soil and this will take 75 years to do so under the watershed development programmes. For the government to complete this by 2020, it has to allocate Rs 10,000 crore every year for the next 15 years. The NREGA being a scheme with focus on rejuvenation of ecology can bear 50 per cent of the cost to make the attempt feasible.(Source: Report of the Technical Committee on WatershedProgrammes in India, Department of Land Resource, Ministry of Rural Development, January 2006).

The inclusiveness of MGNREGA can be evaluated with the actual performance in terms of employment generation and marginalized groups participation in the schemes. In the financial year 2012-13 alone, MGNREGA provided employment to 3.2 crore households, over 88 crore person-days of work. Over the last seven years, MGNREGA has generated nearly 1,296 crore persons –days of work. The share of SCs and STs during 206-07 to 2012-13 has been 28 per cent and 23 percent respectively. The women occupied an agreeable share of 47% on an average during the 2006-7 to 2012-13.It has been depicted in the following table3

TABLE -2: PERFORMANCE OF MGNREGA (FY 2006-07 TO FY 2012-13)

	2006-07 200 districts)	2007-08 330 districts	2008-09(All rural districts)	2009-10(All rural districts	2010-11(All rural districts	2011-12(All rural districts	2012-13(All rural districts	Total 2006-07 to 2012-13
No.of households provided employment (in crores)	2.1	3.4	4.5	5.3	5.5	5.1	3.2	
	person	days	in	crores				
Total	90.5	143	216.3	283.6	257.2	216.7	88.3	1296
SCs	23(23%)	39.4(27%)	63.4(29%)	86.5(30%)	78.8(31%)	47.7(22%)	20.3(23%)	359(28%)
STs	33(36%0	42(29%)	55(25%)	58.7(21%)	53.6(21%)	39.7(18)	13.3(15%)	295(23%)
woman	36(40%)	61(43%)	103.6(48%)	136.4(48%)	122.7(48%)	103.7(48%)	48.3(55%)	612(47%)
Average person days per employed households	43days	42 days	48 days	54 days	47 days	43 days	28 days	
Works in lakhs								
Works taken up	8.4	17.9	27.8	46.2	51	42.1	28.6	222
Works completed	3.9	8.2	12.1	22.6	25.9	19.6	4.3	97

Source: MGNREGA (official website),http/wwmgnrega.nic.in

The below table 4 shows the Stipulated daily minimum wage and average NREGA WAGE actual paid. In majority of the states the actual wage paid was less than that of stipulated daily minimum wage'

TABLE 3: VARIATIONS IN WAGE PAYMENT

States	Stipulated daily minimum wage	Average NREGA wage actually paid
Andhra Pradesh	Rs 80	Rs 80
Chhattisgarh	Rs 67	Rs 62.63
Jharkhand	Rs 76.68	Rs 68
Karnataka	Rs 74	Rs 68
Madhya Pradesh	Rs 61.37	Rs 50
Orissa	Rs 70	Rs 65
Rajasthan	Rs 73	Rs 65
Tamil Nadu	Rs 80	Rs 80
Uttar Pradesh	Rs 100	60
West Bengal	Rs 68	Rs 68

Source: Union ministry of rural development, field visit information provided by NREGA workers and officials.

FINDINGS AND CONCLUSION

The scheme will

1. Increase in average annual income of households by providing employment
2. Increase in the productivity of small and marginal land holdings
3. Increase Quality and construction of assets like water tanks to overall water availability and groundwater.

In order to achieve inclusive growth, holistic and integrated solutions are needed to facilitate rapid and sustainable growth India has a huge potential to be a role model for this century if the efforts at the inclusive growth by the government and private sector succeed. It can be suggested that policies are needed to implement MGNREGA more efficiently and to improve the quality of the works.

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TALENT RETENTION STRATEGIES FOR SUCCESSFUL ORGANIZATIONS

MOHAMMED RAFEEQ
ASSOCIATE PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
SAMBHRAM COLLEGE OF MANAGEMENT
BEML NAGAR

ZAMEER AHMED
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
GOVERNMENT DEGREE COLLEGE
KOLAR

ABSTRACT

Talent management is the process of attracting, selecting, training, developing, and promoting employees throughout the institution. The focus is on obtaining and developing talent ensures that the staffs have the tools, support, and resources necessary to perform well; that they are properly motivated and compensated; and that they are ready to transition into leadership roles as appropriate. Staffs become valuable assets because, over time, they develop the necessary core competencies and internalize institutional core values. This session will highlight how and why institutions should embrace talent management to obtain and retain the best talent available for the success of their organization. Utilizing data from 260 multinational enterprises (MNEs), this paper helps redress this deficit. Specifically, this paper explores the extent to which MNEs engage in Global Talent Management (GTM) and deciphers some of the factors which may explain the use and non-use of GTM practices. We find the size of the MNE has a significant effect on GTM system usage – larger MNEs are more likely to undertake GTM. Other significant, positive influences include whether products or services are standardized regionally or globally, and if the MNE has a global human resources policy formation body. Of considerable interest is the finding that MNEs operating in the low tech/low cost sectors are significantly more likely to have formal global systems to identify and develop high-potentials.

KEYWORDS

Global talent management, Succession planning, Talent management strategy- practices; Organizational success; Global talent management with a size of MNEs.

INTRODUCTION

"Talent Management" has become one of the most important buzzwords in Corporate HR and Training today. Talent management refers to the skills of attracting highly skilled workers, of integrating new workers, and developing and retaining current workers to meet current and future business objectives. Talent management in this context does not refer to the management of entertainers. Companies engaging in a talent management strategy shift the responsibility of employees from the human resources department to all managers throughout the organization. The process of attracting and retaining profitable employees, as it is increasingly more competitive between firms and of strategic importance, has come to be known as "the war for talent." Talent management is also known as HCM (Human Capital Management).

The term "talent management" means different things to different organizations. To some it is about the management of high-worth individuals or "the talented" whilst to others it is about how talent is managed generally - i.e. on the assumption that all people have talent which should be identified and liberated.

TALENT MANAGEMENT PHILOSOPHY

We achieve results through people. Therefore, our success hinges on our ability to effectively attract, engage, and reward talented people.

"Talented people crave the opportunity to grow, and without it they'll leave"

HISTORY

Talent management is a term that emerged in the 1990s to incorporate developments in Human Resources Management which placed more of an emphasis on the management of human resources or talent. The term was coined by David Watkins of Softscape published in an article in 1998; however the connection between human resource development and organizational effectiveness has been established since the 1970s . Talent management is part of the Evolution of Talent Measurement Technologies.

The issue with many companies today is that their organizations put tremendous effort into attracting employees to their company, but spend little time into retaining and developing talent. A talent management system must be worked into the business strategy and implemented in daily processes throughout the company as a whole. It cannot be left solely to the human resources department to attract and retain employees, but rather must be practiced at all levels of the organization. The business strategy must include responsibilities for line managers to develop the skills of their immediate subordinates. Divisions within the company should be openly sharing information with other departments in order for employees to gain knowledge of the overall organizational objectives.

Companies that focus on developing their talent integrate plans and processes to track and manage their employee talent, including the following:

- Sourcing, attracting, recruiting and on boarding qualified candidates with competitive backgrounds
- Managing and defining competitive salaries
- Training and development opportunities
- Performance management processes
- Retention programs
- Promotion and transitioning

The talent management strategy may be supported by technology such as HRIS (HR Information Systems) or HRMS (HR Management Systems). Modern techniques also use Competency-based management methodologies to capture and utilize competencies appropriate to strategically drive an organization's long term plans.

HUMAN CAPITAL MANAGEMENT

Companies that engage in talent management (Human Capital Management) are strategic and deliberate in how they source, attract, select, train, develop, retain, promote, and move employees through the organization. Research done on the value of such systems implemented within companies consistently uncovers benefits in these critical economic areas: revenue, customer satisfaction, quality, productivity, cost, cycle time, and market capitalization. The mindset of this more personal human resources approach seeks not only to hire the most qualified and valuable employees but also to put a strong emphasis on retention.

The major aspects of talent management practiced within an organization must consistently include:

- performance management
- leadership development
- workforce planning/identifying talent gaps
- recruiting

EVALUATIONS

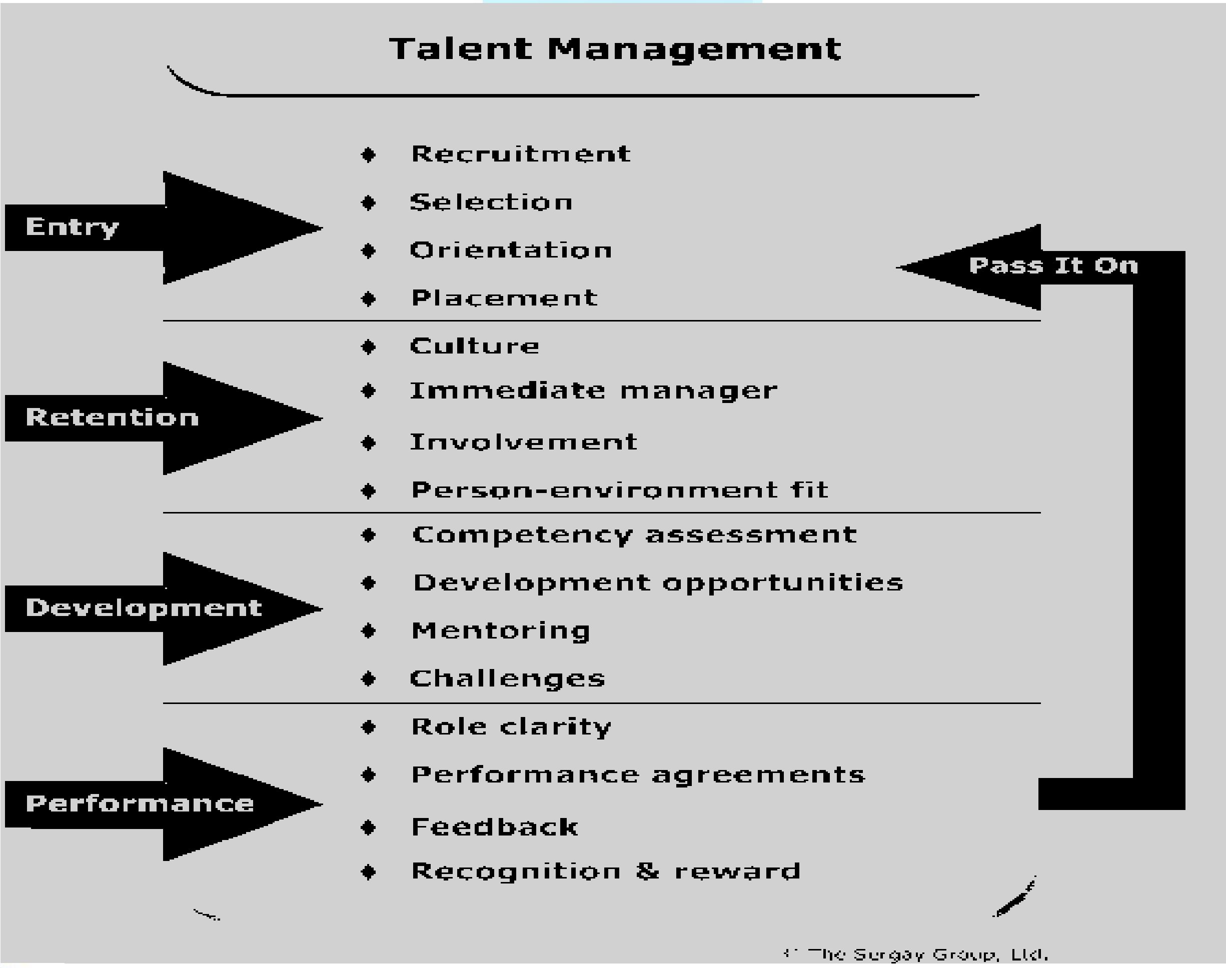
From a talent management standpoint, employee evaluations concern two major areas of measurement: performance and potential. Current employee performance within a specific job has always been a standard evaluation measurement tool of the profitability of an employee. However, talent management also seeks to focus on an employee's potential, meaning an employee's future performance, if given the proper development of skills and increased responsibility.

COMPETENCIES AND TALENT MANAGEMENT

This term "talent management" is usually associated with competency-based management. Talent management decisions are often driven by a set of organizational core competencies as well as position-specific competencies. The competency set may include knowledge, skills, experience, and personal traits (demonstrated through defined behaviors). Older competency models might also contain attributes that rarely predict success (e.g. education, tenure, and diversity factors that are illegal to consider in relation to job performance in many countries, and unethical within organizations). New techniques involve creating a Competency architecture for the organization that includes a Competency dictionary to hold the competencies in order to build job descriptions.

TALENT MARKETPLACE

A talent marketplace is an employee training and development strategy that is set in place within an organization. It is found to be most beneficial for companies where the most productive employees can pick and choose the projects and assignments that are most ideal for the specific employee. An ideal setting is where productivity is employee centric and tasks are described as "judgment-based work," for example, in a law firm. The point of activating a talent marketplace within a department is to harness and link individuals' particular skills (project management or extensive knowledge in a particular field) with the task at hand. Examples of companies that implement the talent marketplace strategy are American Express and IBM.



Determine the key leverage skill sets required by the organization in order to move into the future. The organization's strategic plan should give an indication of these, as well as what constitutes the core competence that will ensure a future for the organization. This will all, in turn, direct you to what talent you should be sourcing.

- Source the required people from the appropriate avenues.

- Be sure to have very detailed job descriptions that include specific competencies required.
- Apply behavior-based interviewing to select the best candidates.
- The ability to retain talent starts from the quality of the first point of contact.
- Carefully consider how you orientate a new employee into the culture of the organization, the work area, and the specific job.
- Assist a new employee to transition into the organization and to be able to produce a quality deliverable within the first three months of tenure.

Retention

Retaining your talent will not solely depend on what you pay them. We have found from exit interviews that many high performing individuals will leave an organization for the same or, in some cases, even less remuneration if other needs of theirs are not being met.

- The culture, the way things are done around here, plays a huge role in creating a work environment that will draw individuals in or repel them. The culture is created through the systems, processes, technology, structure, leadership, and behaviors of people and teams in the organization.
- Congruity in values between the organization and the employee will also exert influence on an individual's decision to commit to an organization.
- The most important relationship for any individual in an organization is the relationship with one's immediate manager. Ensure that your managers have the skills to constructively lead their direct reports and their teams.
- Involve individuals in decision-making in their areas of responsibility. Involve high performers in cross-functional projects. Allow people to feel that they are making a difference.
- Make sure that each new employee is the right fit for the organization's culture, and then ensure fit with the work area, and then the actual job. Revisit this person-environment fit, as people and circumstances change and some adjusting or repositioning may be required for best results.

Development

Development is about growing people to meet both their own and the organization's needs. Development plays a large part in talent management. No organization can afford to promise a person a particular job through development. At best, you can offer the promise of making a person more eligible to be part of a pool of talent who would be looked at when positions open up, and then only if the existing skills match the position requirements.

- Competencies need to be broken down into their four components:
  - Knowledge (what you know)
  - Skills (what you know how to do)
  - Behaviour (what you do)
  - Attitude (what you are willing to do)
- Assess every employee's competency profile. This would include establishing if there are any competency deficiencies that are responsible for the gaps that exist between the actual and desired current performance, as well as gaps between current competencies and possible future performance needs.
- Avoid getting trapped into only developing weaknesses; focus on keeping strengths at the cutting edge.
- Create opportunities for development through different methods; such as, training, job shadowing, job rotation, involvement in projects, cross-functional exposure, and teamwork.
- Make sure that the training provided is linked to the strategic needs of the organization.
- Mentoring can play an important role in developing others, as well as strengthening relationships. This goes a long way to influencing feelings of belonging to an organization.
- Build in stretch deliverables for high potential individuals to produce, as being challenged by what they do often meets individual's personal needs.
- Link talent development into the performance management system.

Performance

Identifying potential is one component of talent management, but actual performance reflects on usable talent. Sound performance management practices are crucial.

- Clarify roles throughout the organization, ensuring alignment with the strategy, as well as across functions.
- Involve individuals in setting their own performance agreements. These agreements need to be firm on objectives to be met, deliverables to be produced and at what quality standards, actions to be taken, and the deadlines.
- People need to be held accountable for what they deliver, but against performance agreements that function as working documents so that adjustments

are made to them as circumstances dictate.

- Feedback is essential - ongoing, objective and constructive.
- Positive reinforcement, when done with genuineness, goes a long way to making people feel recognized.
- Tap into what would make talented individuals within your organization feel rewarded; it is not necessarily always about money or upward mobility.

Identify high performance individuals who display characteristics favored by the organization. Use this pool of talent to help transition new employees into the organization. This will speed up acculturization, and ensure the entrenching of desired ways of operating. It has also been found that the better the first experiences of a new employee, the more likely the individual is to be retained by the organization and the quicker performance results can be achieved.Talented individuals can also serve as mentors throughout the organization and it can be seen as recognition or as a reward to do so. Innovations by talented individuals can be introduced into systems, processes, and approaches in the organization in the pursuit of continuous improvement. They should also be recognized for this.Ultimately, talent management that is based on respect and transparency will go a long way to ensure that you access, select, empower, and retain top talent for your organization.

Talent management is the proven practice of using interconnected human resources processes to provide a simple fundamental benefit for any organization:

- ✓ Talent and good management drive business performance.
- ✓ We all know that teams with the best people can perform at a higher level. We also know that to deliver topline growth even the best people need to be engaged, developed, and rewarded. Leading organizations know that exceptional business performance is driven by superior talent that's managed with consistent processes.
- ✓ People are the difference. Talent management is the strategy.
- ✓ Analyst research has proven that organizations using this business strategy powered by talent management software exhibit higher performance than their competitors and the market in general.
- ✓ From Fortune 100 enterprises to small and medium businesses, companies that invest in talent management achieve significant returns. They know success is powered by the total talent quality of their workforce.

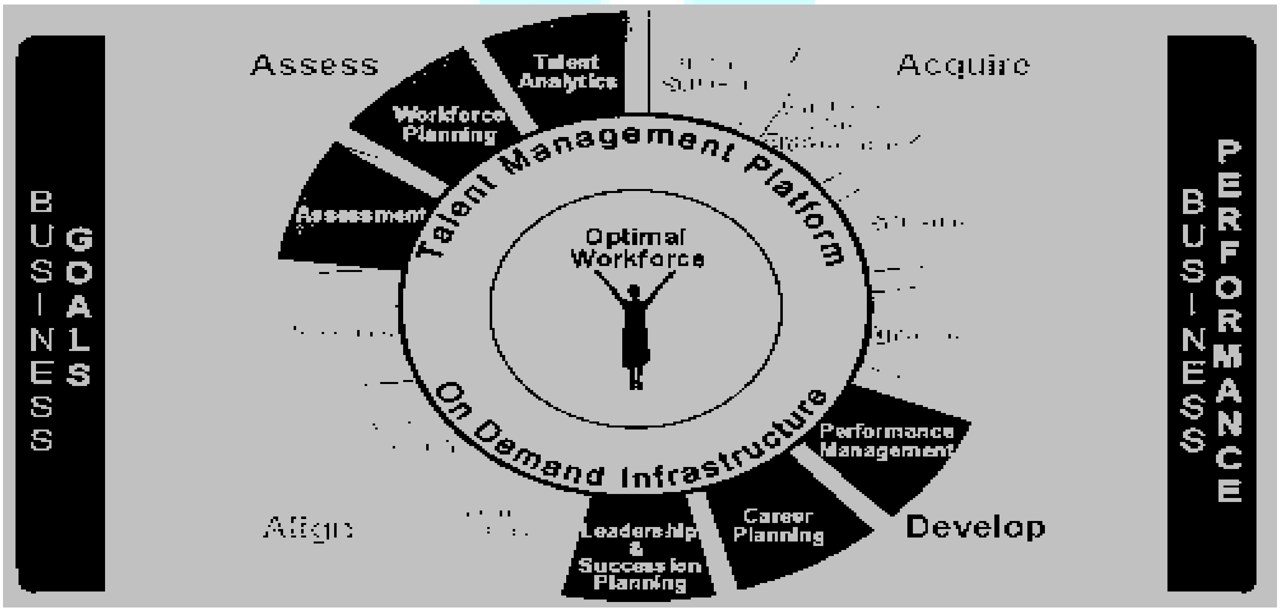
HR professionals and line managers need talent management insights to know more about their people and make better decisions faster. They have information that they need to know:

- How can we align individual goals to team and organizational goals?
- Who are my highest performers and what are their career paths?
- What is my best source of hire and how can I better focus my recruiting efforts?
- Who are my future leaders and how can I effectively foster their development?
- Who requires a higher merit increase to avoid turnover risk and business disruption?
- Who are my top internal and external candidates if my VP of operations leaves?
- Who needs additional development before they can assume greater responsibility?

TALENT MANAGEMENT SOLUTIONS AND PROCESSES

Workforce cost is the largest category of spend for most organizations. Optimization of your talent management processes provides the immediate workforce visibility and insights your company needs to significantly improve your bottom line.

Recruiting, performance, compensation, learning and development, and succession management solutions tied to analytics provide the processes and information to attract, engage, reward, and develop a high performance workforce.



Many organizations struggle to achieve talent intelligence because of disconnected HR processes and technology. Advanced talent management software uses integration on a single talent management platform to provide line managers with the information they need on a web browser.

Leading Organizations Use Talent Management Solutions.Leading organizations rely on talent management solutions and services to acquire, onboard, manage, engage, develop, and reward talent while significantly reducing process costs, improving quality of hire, reducing risk, and achieving higher levels of performance. Here is the bottom line:

- Your organization's success is powered by your people.
- The quality of your people is a competitive differentiator.
- Talent management software drives higher business performance.

Talent management systems and processes with talent intelligence provide the insights managers need to have the right talent doing the right work at the right time. That's how talent truly drives better business performance.

DEFINING THE TALENT MANAGEMENT PROCESS

Organizations are made up of people: people creating value through proven business processes, innovation, customer service, sales, and many other important activities. As an organization strives to meet its business goals, it must make sure that it has a continuous and integrated process for recruiting, training, managing, supporting, and compensating these people.

THE FOLLOWING CHART SHOWS THE COMPLETE PROCESS

1. Workforce Planning: Integrated with the business plan, this process establishes workforce Plans, hiring plans, compensation budgets, and hiring targets for the year.
2. Recruiting: Through an integrated process of recruiting, assessment, evaluation, and hiring the Business brings people into the organization.
3. On boarding: The organization must train and enable employees to become productive and Integrated into the company more quickly.
4. Performance Management: by using the business plan, the organization establishes processes to measure and manage employees. This is a complex process in itself, which we describe in detail in our new research Performance Management.
5. Training and Performance Support: of course this is a critically important function. Here we Provide learning and development programs to all levels of the organization. As we describe in the Death of the Corporate University, this function itself is evolving into a continuous support function.
6. Succession Planning: as the organization evolves and changes, there is a continuous need to move people into new positions. Succession planning, a very important function, enables managers and individuals to identify the right candidates for a position. This function also must be aligned with the business plan to understand and meet requirements for key positions 3-5 years out. While this is often a process reserved for managers and executives, it is more commonly applied across the organization.
7. Compensation and Benefits: clearly this is an integral part of people management. Here organizations try to tie the compensation plan directly to performance management so that compensation, incentives, and benefits align with business goals and business execution.
8. Critical Skills Gap Analysis: this is a process we identify as an important, often overlooked function in many industries and organizations. While often done on a project basis, it can be "business-critical." For example, today industries like the Federal Government, Utilities, Telecommunications, and Energy are facing large populations which are retiring. How do you identify the roles, individuals, and competencies which are leaving? What should you do to fill these gaps? We call this "critical talent management" and many organizations are going through this now.In the center of this process are important definitions and data: job roles, job descriptions, competency models, and learning content.

IMPORTANCE OF TALENT MANAGEMENT

Like human capital, talent management is gaining increased attention. Talent management (TM) brings together a number of important human resources (HR) and management initiatives.

Organisations that formally decide to "manage their talent" undertake a strategic analysis of their current HR processes. This is to ensure that a co-ordinated, performance oriented approach is adopted.

TM APPROACH WILL FOCUS ON CO-ORDINATING AND INTEGRATING

- ✓ Recruitment - ensuring the right people are attracted to the organisation.
- ✓ Retention - developing and implementing practices that reward and support employees.
- ✓ Employee development - ensuring continuous informal and formal learning and development.
- ✓ Leadership and "high potential employee" development - specific development programs for existing and future leaders.
- ✓ Performance management - specific processes that nurture and support performance, including feedback/measurement.
- ✓ Workforce planning - planning for business and general changes, including the older workforce and current/future skills shortages.
- ✓ Culture - development of a positive, progressive and high performance "way of operating".
- ✓ An important step is to identify the staff or employees (people and positions) that are critical to the organisation. They do not necessarily have to be senior staff members. Many organisations lost a lot of "organisational knowledge" in the downsizing exercises of a few years ago. The impact of the loss was not immediately apparent. However, it did not take long for many companies to realise their mistake when they did not have people with the knowledge and skills to either anticipate or solve problems that arose.The current discussions about skill shortages and the ageing population are also helping organisations to focus on the talent management issue. It may not be possible to simply go out and recruit new people to meet operational needs. Many leading companies have decided to develop their own people, rather than trying to hire fully skilled workers.
- ✓ Talent management is just another one of those pesky Human Resources terms. Right? Wrong. Talent management is an organization's commitment to recruit, retain, and develop the most talented and superior employees available in the job market.
- ✓ So, talent management is a useful term when it describes an organization's commitment to hire, manage and retain talented employees. Talent management comprises all of the work processes and systems that are related to retaining and developing a superior workforce.
- ✓ What appears to differentiate talent management focused practitioners and organizations from organizations that use terminology such as human capital management or performance management, is their focus on the manager's role, as opposed to reliance on Human Resources, for the life cycle of an employee within an organization.
- ✓ Practitioners of the other two employee development and retention strategies would argue that, for example, performance management has the same set of best practices. It is just called by a different name.
- ✓ Talent management does give managers a significant role and responsibility in the recruitment process and in the ongoing development of and retention of superior employees. In some organizations, only top potential employees are included in the talent management system. In other companies, every employee is included in the talent management processes.
- ✓ Talent management is a business strategy and must be fully integrated within all of the employee related processes of the organization. Attracting and retain talented employees, in a talent management system, is the job of every member of the organization, but especially managers who have reporting staff (talent).

An effective talent management strategy also involves the sharing of information about talented employees and their potential career paths across the organization. This enables various departments to identify available talent when opportunities are made or arise.In larger organizations, talent management requires Human Resources Information Systems (HRIS) that track the career paths of employees and manage available opportunities for talented employees.

Find out more about the work systems that talent management encompasses and best practices in talent management. Talent management goes beyond basic day-to-day management tasks. In today's competitive talent market, talent management is about leaders throughout the organization taking accountability for all aspects of the employee lifecycle. Talent leadership accountability encompasses hiring, on-boarding, developing, managing, challenging, promoting, motivating – and more. When done well, it ensures that the right employees are in the right jobs with the skills and motivation to succeed.

Many managers view talent management as the responsibility of their Human Resources department. And while HR does play an important role, it is up to individual managers to be involved at a deeper level with their employees. For example, when sourcing an open position, whose job is it to scope the job requirements, interview the candidate and ensure the selected candidate is successfully oriented to the position and company? HR can provide processes and resources to assist, but as talent leaders, managers have that accountability.
To be successful, managers must fully understand and embrace their role as talent leaders in the areas of:
• Attracting employees
• Retaining employees
• Transitioning employees
To be effective in today's challenging marketplace, managers must embrace talent management holistically. When organizations encourage and reward their leaders to address all phases of an employee's life cycle—taking action to attract, retain, and transition the best employees —they realize big payoffs. From the top down, leaders manage their talent with a "build for the future" mind-set and employee actions are aligned to strategies and expectations.
People are, undoubtedly the best resources of an organization. Sourcing the best people from the industry has become the top most priority of the organizations today. In such a competitive scenario, talent management has become the key strategy to identify and filling the skill gap in a company by recruiting the high-worth individuals from the industry. It is a never-ending process that starts from targeting people. The process regulates the entry and exit of talented people in an organization. To sustain and stay ahead in business, talent management can not be ignored.

THE STAGES INCLUDED IN TALENT MANAGEMENT PROCESS
Understanding the Requirement: It is the preparatory stage and plays a crucial role in success of the whole process. The main objective is to determine the requirement of talent. The main activities of this stage are developing job description and job specifications.
Sourcing the Talent: This is the second stage of talent management process that involves targeting the best talent of the industry. Searching for people according to the requirement is the main activity.
Attracting the Talent: it is important to attract the talented people to work with you as the whole process revolves around this only. After all the main aim of talent management process is to hire the best people from the industry.
Recruiting the Talent: The actual process of hiring starts from here. This is the stage when people are invited to join the organization.
Selecting the Talent: This involves meeting with different people having same or different qualifications and skill sets as mentioned in job description. Candidates who qualify this round are invited to join the organization.
Training and Development: After recruiting the best people, they are trained and developed to get the desired output.
Retention: Certainly, it is the sole purpose of talent management process. Hiring them does not serve the purpose completely. Retention depends on various factors such as pay package, job specification, challenges involved in a job, designation, personal development of an employee, recognition, culture and the fit between job and talent.
Promotion: No one can work in an organization at the same designation with same job responsibilities. Job enrichment plays an important role.
Competency Mapping: Assessing employees' skills, development, ability and competency is the next step. If required, also focus on behaviour, attitude, knowledge and future possibilities of improvement. It gives you a brief idea if the person is fir for promoting further.
Performance Appraisal: Measuring the actual performance of an employee is necessary to identify his or her true potential. It is to check whether the person can be loaded with extra responsibilities or not.
Career Planning: If the individual can handle the work pressure and extra responsibilities well, the management needs to plan his or her career so that he or she feels rewarded. It is good to recognize their efforts to retain them for a longer period of time.
Succession Planning: Succession planning is all about who will replace whom in near future. The employee who has given his best to the organization and has been serving it for a very long time definitely deserves to hold the top position. Management needs to plan about when and how succession will take place.
Exit: The process ends when an individual gets retired or is no more a part of the organization.
Talent Management process is very complex and is therefore, very difficult to handle. The sole purpose of the whole process is to place the right person at the right place at the right time. The main issue of concern is to establish a right fit between the job and the individual.

THE NEW WAY
Having the right talent throughout the organization is a critical source of competitive advantage
➢ Every manager – starting with the CEO – is responsible for attracting, developing, exciting, and retaining talented people; indeed every manager is explicitly accountable for the strength of the talent pool he/she builds We think of our people as volunteers and know we have to try to deliver on their dreams now if we are to keep them
➢ We also have a distinctive employee value proposition that attracts and retains talented people
➢ Recruiting is more like marketing and selling; it's a key responsibility of all managers
➢ We hire at all levels – entry, mid, and top – and look for talent in every conceivable field
➢ Development happens through a series of challenging job experiences and candid, helpful coaching
➢ Development is crucial to performance and retention…and it can be institutionalized
➢ We shower our top performers with opportunities and recognition.
➢ We develop and nurture mid-performers.
➢ We help our lower performers raise their game or we move them out or aside

GLOBAL MARKET WITH ABILITIES
Now-days the competitive advantage of most companies on global market lies in the ability to create a profit driven not only by cost efficiency, but by the ideas and intellectual know-how.The intangible assets in the organization are created by talented people, whom company needs to attract, develop and retain.Thus talent management is _the implementation of integrated strategies or systems designed to improve processes for recruiting, developing and retaining people with the required skills and aptitude to meet current and future organizational needs. The result of taking talent management as a strategic issue is mainly delivery performance improvements. Talent management includes recruitment, development and retention of talents in the company. Today most of companies don't focus on all the components of talent management. Huge amount of investments of money, energy and time have been spending today by big multinational companies in order to attract top talents. But the issues of development of the personnel within the company as well as retention are put aside, leading to higher turnover and less effective performance. The issues of development and retention are getting even more important in case of Indian environment, where the gap of skilled and qualified talents takes place.
In the ancient India the talent management process runs with Recognize talent: Notice what do employees do in their free time and find out their interests.Try to discover their strengths and interests. Also, encourage them to discover their own latent talents.
Attracting Talent: Good companies create a strong brand identity with their customers and then deliver on that promise. Great employment brands do the same, with quantifiable and qualitative results. As a result, the right people choose to join the organization.
Selecting Talent: Management should implement proven talent selection systems and tools to create profiles of the right people based on the competencies of high performers. It's not simply a matter of finding the "best and the brightest," it's about creating the right fit - both for today and tomorrow.

Retaining Talent: In the current climate of change, it's critical to hold onto the key people. These are the people who will lead the organization to future success, and you can't afford to lose them. The cost of replacing a valued employee is enormous. Organizations need to promote diversity and design strategies to retain people, reward high performance and provide opportunities for development.
Managing Succession: Effective organizations anticipate the leadership and talent requirement to succeed in the future. Leaders understand that it's critical to strengthen their talent pool through succession planning, professional development, job rotation and workforce planning.They need to identify potential talent and groom it.
Change Culture: Ask yourself, "Why would a talented person choose to work here?" If the organization wishes to substantially strengthen its talent pool, it should be prepared to change things as fundamental as the business strategy, the organization structure, the culture and even the caliber of leaders in the organization.
Tools for the Talent Retention: Corporate world.Employee Retention is often spoken of as a barometer of an organization. The prohibitive cost of turnover is cited as a major reason for the special attention to be paid to Employee Retention. It is so far so good. Sometimes this factor receives so much emphasis making Employee Retention the touchstone of the efficiency of HRD of the organization. As a corollary, Employee Turnover is regarded a reflection upon the human resources management of the organization. There is a need to moderate this approach.
Major factors that contribute positively in keeping or retaining good employees can be as follows:

- Support
- Growth
- Understanding
- Compensation
- Relationship

It really takes great efforts and resources on the company's part and on the part of the managers to retain the employees!

- Desire
- Dedication
- Determination MAN
- Health
- Heart
- Head
- Head
- Health
- Desire
- Dedication
- Determination

It will definitely help to reduce the employee turnover & helps to go for talent retention in the company.
1. Heart: It means that all the employees should whole-heartedly work for the given task. Their heart must be pure & pious; the amount for their jobs must be paid in advance,
2. Head: The head represent the brain which uses skills to complete the task. With the help of Talent Paradigm we can distinguish the skilled & Un-skilled workforce.
3. Health: It shows that how healthy the workforce available for given task at any given time. It also encompasses the working environment of the organization.
4. Desire: It shows that the Need Achievement theory of the motivation. The equation for hiring the employees will be termed as the more the desire the higher the ladder of the working force.
5. Dedication: The commitment & enthusiasm towards the given task shows the dedication of the workforce,here in Akshardham Temple the workforce work full-heartedly due to the pure dedication for the work assigned.
6. Determination: The will power &common purpose automatically generate determined workforce.

THE TALENT PARADIGM
One should understand some of the realities regarding the Talent, before discussing Talent Paradigm. The realities are given as:
_ Educated Vs Talented
_ Talent is getting scarce
_ Demand exceeds supply
_ Beg the talent to join, paying painful salary
_ Loyalty is portable
_ Hire & fire
People are not your most valuable asset …….. The RIGHT people are
Under the Talent acquisition HR planning, HR Audit & HR polices comes where as under Talent development leadership development, capability management, organization development & learning comes.
Under the Talent management performance management, rewards & recognition & career development comes where as in Talent Retention Employee Engagement & Branding comes.

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CORPORATE SOCIAL RESPONSIBILITY AND COMMERCIALISATION OF AGRICULTURE IN INDIA: AN OVERVIEW

S. M. JAWED AKHTAR
ASSOCIATE PROFESSOR
DEPARTMENT OF ECONOMICS
ALIGARH MUSLIM UNIVERSITY
ALIGARH

SABA PARVEEN
JUNIOR RESEARCH FELLOW
DEPARTMENT OF ECONOMICS
ALIGARH MUSLIM UNIVERSITY
ALIGARH

ABSTRACT

India is predominantly an agrarian economy. Indian agriculture is characterized by millions of small and marginal farmer with uneconomical landholding facing a myriad of difficulties to sustain their livelihood. The issue of small farmer's empowerment and development as one of the main avenue of poverty reduction remains challenging. The challenge is to ensure that they would participate in and contribute to agricultural and rural growth, by providing them a level playing field. In India, the government as a part of liberalization drive has been encouraging a turn towards the concept of commercialization of farming business through contract/corporate farming like the western countries and made substantive legislative changes to facilitate its proliferation. These farming practices were envisaged as the most efficient with a combination of timely, quality and cost effective delivery of industrial inputs, but it is also true that dealing with small farmers is very susceptible in nature. The experience of contract and corporate farming across the world suggests that, it is not harmful, but how it is being practiced in a given context of the country's situations, is very important. There is a great concern regarding the ability of the small farmers to survive in the changing environment of agri-business as it sounds like a win-win situation for both farmers and companies by creating direct linkages between the farmer and the market through agro-business corporations, thereby eliminating the exploitive middlemen and guaranteeing the farmers, an assured and high income. But the problem is that the vast majority of the rural population is ignorant, they were still not in a position to know what is in their welfare and in such a situation depending on external agencies would prove havoc. So, it is imperative to go through the success and failure of these new ventures in the framework of the "moral economy of commercialization of agriculture" and an increasingly need of corporate social responsibility in Indian agriculture. The concept of sustainability has recently gained attention in the agribusiness sector, due to a widespread discontent with the corporate practices and agricultural sustainability. There emerges, a concept of corporate social responsibility in an agri-business framework as it is heavily needed in the Indian agriculture due to the precarious situations created by large companies in India. Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concern in their business operations and in their interaction with stakeholders solely on a voluntary basis. Against this backdrop, the aim of the present paper is to examine the rationale and relevance of the advent of contract and corporate farming for the small farmers in the context of commercialization and globalization.

KEYWORDS
Agriculture; Contract Farming; Corporate Farming; Corporate Social Responsibility; Small Farmers.

1. INTRODUCTION

Agricultural sector is the mainstay of Indian economy, which provides employment to more than 70 percent of the population for which increasing agricultural growth is the top most priority of the government. Indian agriculture has been facing multiple challenges which have resulted into severe agrarian crisis. The complex nature of the history of agriculture in India stems from a variety of circumstances. According to M.S. Swaminathan (Report on National Commission for Farmers, 2006), the major causes of the Indian agrarian crisis are unfinished agenda in land reform, quantity and quality of water technology fatigue, access, adequacy and timeliness of institutional credit and opportunities for assured and remunerative marketing and adverse meteorological factors. The Indian agricultural sector has been facing a dual crisis, one in the form of agricultural development crisis as reflected in the falling agricultural growth rate due to declining productivity and hence profitability, which posed the livelihood of 84.97 percent (2010-11) of small and marginal farmers at the blink of survival risk and another is the agrarian crisis which is the result of high dependence of the population on agriculture and increasing marginalization of land holdings.

Since the new economic policy has already made significant progress in the trade and industrial sectors, the focus is now shifting towards bringing about structural reforms in other sectors especially agriculture in terms of mode of organization of production. This is being attempted in order to bring in better efficiency of input and output markets and promote growth performance of the sector ultimately resulting in rural poverty reduction in India (Singh, S; 2006). Indian agriculture has been moving towards the commercialization of agriculture since economic liberalization which changes the economic circumstances in the last two decades.

Before economic liberalization, government intervention in the agricultural market was considered an important instrument of development as the state generally controls the agricultural market through the implementation of market regulating act known as the Agricultural Produce and Marketing Committee (APMC) Act, fixing and maintenance of minimum prices etc. Overtime, government became unwilling to or in fact failed to go through its earlier role of controlling the agricultural sector. There came, the concept of commercialization of agriculture and contract and corporate farming is the two main steps toward this direction.

With the gradual withdrawal of the state from agricultural markets (due to the amendment of the Agricultural Produce Marketing Committee (APMC) Act in 2003 in India, under which private markets can now be set up and contract farming (CF) with and direct purchase from farmers have been made legal) and the emphasis on the role of the private sector for bringing efficiency and growth to the farm sector, space is being provided to corporate and multinational agencies through the opening up of procurement, wholesale trade and retailing (Singh, S; 2012) Being in capitalistic mode of production based on profit maximization, it is doubted that the livelihood security of small and marginal farm holders can get into danger as they may find it difficult to cope up with the resultant volatility in the economy, along with other environmental and social risks due to the malpractices and profit motives. Experiences suggest that overall growth rate of the economy is quite sensitive to the fluctuations in the growth rate of agricultural sector.

Small farmers in both developed and developing countries share certain basic goals. For the most part, they wish to increase the security and income of their families while retaining their independence as owners and operators of a farm enterprise. It has become increasingly difficult to pursue these goals simultaneously (Singh, S K; 2013). In such a situation, it is speculated that the concept of "Corporate Social Responsibility (CSR)" can play a holistic role incompatible with the dynamics of Indian agriculture. CSR in agricultural sector would be the private sector's obligation to safeguard the wellbeing of the stakeholders like the farmers, surrounding communities, environmental quality and all the economic and social agents linked with these commercial practices and hence, establishing sustainability in agricultural development and poverty reduction.

In this context, the paper examines the need and role of CSR in sustainable agricultural practices in terms of reduction in risk from each and every levels of production processes by the corporate. This paper is divided into four parts as the first part reviews the government's effort towards commercialization of agriculture in India. The second part explains the concept and rationale of contract and corporate farming in India. The third part overviews the problems faced by small farmers in India and the forth part highlights the need and role of CSR in Indian agriculture.

2. OBJECTIVES

The study entitled "Corporate Social Responsibility and Commercialization of Agriculture in India: An Overview" has following objectives:

1. To examine the government's efforts in commercialisation the agricultural sector.
2. To analyze the pros and cons of contract/corporate farming practices in India, and
3. To ascertain the role of corporates responsibility in the context of rapidly changing agricultural scenario in India.

3. REVIEW OF LITERATURE

Chandrasekhar (2013) is of the view that contract farming essentially produces an unequal system where the risks are left with farmers while control over production and marketing is acquired by corporate. Ramakrishnam (2013) has emphasized that the government's aggressive moves to open up the farm sector to corporate control under the PPP model are fraught with danger as they can lead to the worsening of the agrarian crisis and land grabbing practices. Rao has emphasized that the three models tried in Andhra Pradesh to bring small farms into the corporate fold became financially unsound and have had serious results of groundwater depletion, rejection of contract produce, etc. Panwar (2013) is of the view that the price volatility and the alignment of domestic food prices with international food and oil prices are the inherent danger of the corporatization of the farm sector.

Sukhpal (2006) has found that the main issue with the contract farming is that it excludes a small farmer who specially needs the assistance as companies prefer medium and large farmers because of transaction costs and suggested that contract farming can work if there would be collectivization of small farmers so that they could exert better bargaining power. Waswa *et al.* (2009) suggests that to bridge the income gap between farmers and companies, there is a need to institutionalize Corporate Social Responsibility within the daily operations of the company. Patnaik, Usha (2013) is of the view that the entry of corporate in Indian agriculture would leads to a situation where farmers become "debt slaves" and increased suicides rates in the regions and emphasized the need to look for viable and rational alternatives.

4. COMMERCIALIZATION OF AGRICULTURE IN INDIA

The small, marginal and resource farmers were caught in the vicious circle of low investment, low productivity, high cost and low income. The situation calls for a Schultzian intervention to induce a break away from this low level equilibrium. The challenge is to empower them with appropriate steps on policy, technology and institutional fronts so as to enable them to release these constraints (Deshpande, 2008). Commercialization of agriculture refers to aligning the farm management decision to the market signal. It may, thus, get reflected on the output front through increased share of marketed surplus, introduction of new crops/activities, growing commercial crops (*ibid*, 2008). Contract and corporate farming are the two basic modes of commercialization of agriculture. As contract farming has been in India since the British rule when commodities like Collin Indigo were produced by the Indian farmers for British companies and in 1960's in the seed production but in reality, the crux of contract farming starts with the green revolution by the government of India in collaboration with state governments, Indian Council for Agricultural Research and state agricultural universities. Therefore, contract farming as a nomenclature may be of recent origin, but the concept of contract farming has been in operation for long in the country. But after the advent of economic liberalization, contract farming became the common, first starting with the Pepsi (now Pepsico) in Punjab in tomatoes and potatoes in the mid-1990, later on Unilever, ITC, Cargil, Reliance, Essar, Bharti Enterprises Del Monte Pacific Ltd, the Adani Group, Marico, Tata Chemicals and Nestle etc. largely supported by states like Punjab, Maharashtra, Andhra Pradesh, Karnataka and Gujrat etc.

In the neoliberal era, the interest in corporate/contract farming is policy induced. The promotion of contract farming through deregulations has been partly argued by the government that it is a way of introducing better and more farming practices into a slowly growing agricultural sector as large buyers /companies would provide modern inputs and potent farming practices. The private sector was accorded an increasingly equal stage in agriculture marketing in the Tenth Plan (2002-2007), which focuses on inclusive growth in the agricultural sector, the government made a commitment that "as some large farms may lease land and even employ the small owner on his own farm to grow specific crops under supervision" as a solution to the problems of agrarian crisis, showed the pro-corporate attitude of the government.

With the liberalisation and globalisation of food and fibre markets in the developing world including India, there is renewed corporate business interest in agriculture in the form of corporate involvement in food processing, agro-exports and retailing as it is seen as unattended sector by those with capital, technological and managerial resources. With the gradual withdrawal of the state from agricultural markets (due to the Amendment of the Agricultural Produce Marketing Committee (APMC) Act in 2003 in India under which now private markets can be set up, and contract farming (henceforth CF) with and direct purchase from farmers are legal) and emphasis on the role of private sector for bringing efficiency and growth to the sector, space is being provided to corporate and multinational agencies in the form of opening up of procurement, wholesale trade, and retailing. The mechanisms being allowed and promoted are CF, public private partnerships, retailing and wholesaling. It is argued that the sources of trouble in the farm sector are in the supply chains of the sector which can be improved by corporate involvement and investments. In this policy environment and in the context of low growth of the farm sector and the prevalence of farmer distress in large parts of India, domestic corporate have made forays into the retail sector and in perishable produce CF in the last decade and many foreign supermarket retailers (Metro, Wal-Mart, Tesco, Carrefour) have entered wholesale cash & carry sector (permitted since 1997) (Singh, 2011).

This made contract farming legal which led to its widespread adoption across crops, regions and companies. Major Indian corporate entered agribusiness in different forms during 2000-10 on the assumptions that working with corporate under the framework of commercialization of Indian agriculture through contract/corporate farming practices means tapping into the most advanced technology and being inserted into value chains with a global reach by offering opportunities for entrepreneurship including horticulture, dairy farming, livestock etc. with world class agro-equipment and support services.

The National Policy on agriculture declares that the private sector will be promoted through contract farming and land leasing arrangements (corporate farming) to allow accelerated technology transfer, capital inflow and assured market for crop production. Over the past few years, section of the political parties, technocrats and ministries at the Centre as well as at the State levels have moved to support through their policies for public-private partnership (PPP) in agriculture, which transfers paramount role in corporate sector in production and to retail marketing as a subsidiary initiatives along with the key initiatives of land reforms and institutional credit. Several states came forward and promote the setting up of PPP ventures. They proclaimed that it is a move towards second green revolution through PPP. The government of India through its ministry of agriculture devised so many frameworks and schemes to facilitate large scale integrated projects led by private companies in agriculture and allied sectors with a motive of aggregating and integrating farmers with the financial assistance through the Rashtriya Krishi Vikas Yojana (RKVY) under the support and supervision of state governments and various national level agencies.

The policy makers assures that it is a collaborative effort between government, farmers and corporates in agricultural sector with an aim to raise the rate of agricultural GDP growth and hence directly impacting rural poverty, as now-a-days, more than 70 percent of the agricultural GDP is heavily weighted in favour of high value produce. The government has initiated to formalize the role of the Small Farmers Agribusiness Consortium (SFAC) as the national nodal agency for advancing PPP initiatives which would provide technical support and facilities states and corporations.

The PPP in agricultural development (PPPIAD) has been conceived of as an alternative mode of implementation under the RKVP, using the technical and managerial capabilities of the private sector in combination with the public funding, to achieve integrated and sustainable outcomes, as also to achieve value chain integration and additional private investment in agriculture (Ramakrishnan, V; 2013). Corporate would have given complete flexibility in designing schemes and programmes, structure and their parameters along with enjoying a myriad of privileges and concessions. The government initiated SFAC to set up Farmer Producer Companies (FPC) all over the country by facilitating the registration of more and more FPC, which got a significant response from the majority of states. The government promotes crop diversification of high value export crops, allowing free leasing of land, boosting agro-processing and developing post-harvest and marketing infrastructure. Hence, in this changed situation, it is clear that the private corporate sector becomes the leading agent.

5. CONCEPT AND RATIONALE OF CONTRACT/CORPORATE FARMING

The modern contract farming has been developed in the United States where corporatization of agriculture is now the most advanced process as multinationals has come to dominate the entire chain of agricultural production and distribution.

Contract farming is a system of cultivation and supply of agricultural commodities that is based on forward contracts between producers and buyers. It is a system in which agricultural production is carried out through an agreement between farmers and buyers (typically a large company) that specifies a combination of features such as price, quantity and quality to be supplied and date of delivery which farmers as supplier are expected to fulfill their promise to acquire those supplies at the pre-specified price. A contract reduces price risk for a farmer and can be terminated at reasonably short notice. Contracts can be a source of new technology for farmers as generally new crops with modern technology or existing crops with new seeds and other inputs are promoted under such arrangements. On the other hand, food processors can minimize their overhead costs per unit of production by operating their plants at or near full capacity. They, therefore, need assured and stable supplies of raw materials from farms. In procuring the supplies, the prime requirements of the agribusiness firm are that each supplier must be in a position to guarantee a large volume, continuity of supply and a standardized quality. To the extent that these requirements cannot be met by purchasing through traditional open market channels, more direct links with large producers and producer's organizations are built up. The contracts are more flexible in face of market uncertainty, make smaller demands on scarce capital resources and impose less burdens on management. Contracting can give a positive image to the company as it may be perceived as progressive especially if it works with small farmers. From an institutional economic perspective, contract farming could be looked upon as a way of creating positive externalities which can result in overall rural development (Singh, S; 2013). However, the terms and nature of the contract differ according to variations in the nature of crops to be grown, agencies, farmers, and technologies and the context in which they are practiced.

For example, contract farming in wheat is being practiced in Madhya Pradesh by Hindustan Lever Ltd (HLL), Rallis and ICICI. Under the system, Rallis supplies agri-inputs and know-how, and ICICI finances (farm credit) the farmers. HLL, the processing company, which requires the farm produce as raw material for its food processing industry, provides the buyback arrangement for the farm output. In this arrangement, farmers benefit through the assured market for their produce in addition to timely, adequate and quality input supply including free technical know-how; HLL benefits through supply-chain efficiency; while Rallis and ICICI benefit through assured clientele for their products and services. The consortium is also planning to rope in other specialist partners including insurance, equipment and storage companies. Another example is of pepsico, launching its agro-business in India with special focus on exports of value added processed foods, pepsi foods Ltd ('Pepsico' hereafter) entered in India in 1989 by installing a Rs 22 crore state-of-the-art tomato processing plant at Zahura in Hoshiarpur district of Punjab. The company intended to produce a aseptically packed pastes and purees for the international market. However, before long, the company recognized that investment in agro-processing plants would not be viable unless the yields and quality of agricultural produce to be processed were up to international standards. At that point of time, tomato had never been cultivated in Punjab for its solid content, with a focus on high yields and other desirable processing characteristics such as colour, viscosity and water binding properties (NIAEM, GOI; 2003).

The PepsiCo model of contract farming, measured in terms of new options for farmers, productivity increases, and the introduction of modern technology, has been an unparalleled success. The company focused on developing region- and desired produce-specific research, and extensive extension services. It was thus successful in bringing about a drastic change in the Punjab farmers' production system towards its objective of ensuring supply of right produce at the right time in required quantities to its processing plant. Encouraged by the sweeping success of contract farming in tomato in several districts of Punjab, PepsiCo has been successfully emulating the model in food grains (Basmati rice), spices (chillies) and oilseeds (groundnut) as well, apart from other vegetable crops like potato (*ibid*). There are other examples of Kuppam project of Andhra Pradesh, projects in Karnataka, Maharashtra etc. Hence, Contract farming sounds like a great story where there is a win-win situation for both farmers and company and thus, enhances the agricultural productivity and efficiency of poor farmers.

Corporate farming refers to direct ownership or leasing in of farmland by business organizations in order to produce for their captive processing requirements or for the open market. When it is done for captive purposes, it is referred to as captive farming as well, though most of the time, the two terms are interchangeably used (Singh, 2006). This demands the possession of large tracts of land by corporates, which is constrained by state government's land ceiling laws. So, the thrust of the post-1991 policies has been to remove the land ceiling limit to allow corporates for the cultivation of unlimited areas. Many states like Karnataka, Maharashtra, and Gujarat etc. have already introduced these amendments. They want to give subsidies to these companies and hence, aiding the initiatives of corporate farming.

The Field Fresh: A 50:50 venture by Bharti Enterprises and Rothschild is one of the case of corporate farming in India. With the idea of establishing a R&D enabled farm, Bharti Enterprises in partnership with Rothschild acquired around 300 acres of land in Punjab. The focus is on growing fruits and vegetables using the latest technology. Distribution of fresh fruits and vegetables is done to the European Union, Eastern Europe, South East Asia, Middle East and the CIS countries. It has already sent the first consignment of vegetables to the UK included okra, bitter gourd and chilli. This venture has helped the local farmers raise their monthly income. If we take the case of a family with two acres of land leased out to Field Fresh, the rent from the lease is Rs 30,000 per year (Rs 15,000 per year per acre). Suppose two members from the family work for the company, their income will be Rs 57,600 (at Rs 80 per day per worker). Thus the overall income of the family works out to be Rs 87,600. In the absence of such a farming model the average gross output of such a farm in Punjab is Rs 50,000 (without any cost deduction) (*ibid*).

6. PROBLEMS OF SMALL FARMERS

The advent of globalisation and liberalisation has intensified the role of the agribusiness firms who are entering into contract with primary producers and farmers for supplying raw materials. There are diverse views on the merits and demerits of contract farming. Many argue that since the primary producers or the farmers lack the bargaining capacity to negotiate the contract, they often end up on the losing side by entering into contracts that are detrimental to their interests. There are also arguments to suggest that if contract farming is rooted in appropriate policy, statutory and institutional framework, it has tremendous potential to help the agricultural community in general and the small and marginal farmers in particular (Singh, S; 2005). The cases of Pepsico and Fresh field are one side of the story, the other side is very dark as the "experience of the contract farming system is not very encouraging in different parts of the country, mainly because of corporate tactics such as post-facto lowering of prices; delays in payments; defaults on contracts in a glut situation, as done by Pepsi in Punjab and wineries in Maharashtra; and improper legislation. The contract system has certain structural characteristics; for instance, the farmer bears the risk even when the decision regarding the choice of crop, input, quality and quantity of crop, and schedule of payment rests with the corporate. Moreover, contract farming has a strong bias towards large landowners as they have surplus to invest and can supply the required quantity, a prerequisite for economies of scale (Panwar, S; 2013).

Commercial farming means risk, additional to the natural phenomena which are intrinsic risks of farming everywhere: the risk of output prices that fluctuate, of input prices that may not be commensurate with increased output, of increased vulnerability to pests and so forth. A sudden drop in international prices can drive already poor and indebted farmers off the land over the short term. There is plenty of distress among farmers both in agriculturally grown as well as backward regions manifested in farmer suicides. A large number of suicide cases are reported from marginal and small category of farmers. Most of the suicide cases have been reported from Andhra Pradesh, Karnataka, Maharashtra, Haryana and Punjab (Singh, S). These are the states which welcomed the contract and corporate farming models and are the areas which achieved greater level of modernization and commercialization of agriculture but ironically, have high suicide rate by farmers and agricultural labourers as one of the reason behind this trend would be inability to cope with the costs of commercial modern farming which are too high for marginal and small farmers. These farming practices increases regional disparities in India as "it is not incidental that most of the CF projects are in the states of Punjab, Haryana, Gujarat, Maharashtra, Karnataka and Tamil Nadu which are agriculturally developed states. On the other hand, vast areas of India such as Bihar, Jharkhand, Chhattisgarh, Orissa, West Bengal, the entire north-east India and areas of Uttarakhand, Himachal Pradesh, Kerala and Jammu and Kashmir have been bypassed by CF projects. Does it mean that these areas and farmers would not benefit from commercialization and vertical co-ordination of agriculture? These are areas with highest concentration of small and marginal farmers. This essentially means that contracting companies do not encourage participation of those who need to be helped to participate, as risk preference and innovativeness require not just attitude but also resources and risk taking capability to undertake risky crops and ventures (Singh, 2011).

Retail chain linkage is selective not only in terms of regions reached by the program, but also in terms of the crops covered which are only those that are of corporate interest. Further, it is selective in terms of farmers that are selected (size of farms, literacy, access to mobile phones, and irrigation facilities). Thus, those whose needs are most urgent, i.e. the marginal and the small farmers, farmers lacking irrigation facilities and basic education, or farmers in more remote regions, are excluded (*ibid*). These practices adversely affect the need of the locally produced labour-intensive commodities and services. The problem of cartelization and monopoly practices of corporates, where farmers are forced to use the seeds, fertilizers, insecticides and credit of a particular company, which decreases the farmer's autonomy. The large quantum of contract farming is based on oral "contracts" and not on registered documents. Even international corporate involved in contract farming in India reportedly take recourse to an informal contract system often through intermediaries. On the one hand, the writing of contracts in India involves no participation of the farmers which is not justiciable, in spite of the fact that whether farmers understand the specific commitments or not.

In Punjab, ecological survival and sustaining natural resources such as water and soil is one of the arguments of rationale for adopting CF/corporate farming, but the recent corporate interest has been basmati rice which is one of the water-guzzlers. In India, irrigation intensity of contract crops, i.e. tomato, potato and chilly, was more than that of wheat in Punjab during the late 1990s under Pepsi Foods (a Pepsico subsidiary) CF. For example, potato required 8-12 irrigations compared with only 5-6 for wheat and other crops. Pesticides and fertilizers were also used at much higher levels than in the traditional crops. Potato cultivation required 108 kg of NPK (inorganic fertiliser) per acre as against only 78 kg for wheat and 60 kg each of phosphorus and potassium per acre (Singh, 2002). However, far from being dumped as an exploitive model, corporate agriculture continued to enjoy the same status. The best example is that of Monsanto-Mahyco's BT cotton where corporatization may not see on the farm or in a company taking over land and farmers becoming shareholders. Corporatization of farming has to be understood in the broader context of corporatization of the supply chain where profit nodes are privatized and loss-making nodes are left to farmers" (Venkateshwarlu; 2013). Hence, on the assumptions that these corporate practices eliminate market imperfections, promotes low cost produce, market access etc. and finally create inclusive growth but the result is only capitalist penetration of agriculture for capital accumulation and still poverty in rural India.

7. NEED OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIAN AGRICULTURE

The Industry "…should regard themselves as trustees and servants of the poor…"- **Ghandhi Ji**

Socially responsible initiatives by companies and enterprises have a long tradition. The concept of social responsibility of business, though might appear to be a phenomenon of recent times, has been in practice since ancient times. Philosophers like Kautilya from India and pre-Christian era philosophers in the west preached and promoted ethical principles and controlled greed while doing business. The emerging perspective on CSR focuses on responsibility toward stakeholders rather than maximization of profits. CSR can be defined as a concept whereby companies voluntarily decide to respect and protect the interest of a broad range of stakeholders and contribute to a cleaner environment and a better society through active interaction with all (Patil & Sharma; 2009).

CSR is a key element of business strategy. Strategy strives to provide the business with a source of sustainable competitive advantage. For any competitive advantage to be sustainable, however, the strategy must be acceptable to the wider environment in which the firm competes. The term corporate social responsibility suggests that such behavior is the responsibility of corporations. But, where does the motivation for socially responsible behavior comes from? Archie Carrol, University of Georgia, was one of the first academics to make a distinction between different kinds of organizational responsibilities. He referred to this distinction as a firm's "pyramid of corporate social responsibility".

- Fundamentally, a firm's economic responsibility to produce an acceptable return on its owner's investment.
- An important component of pursuing economic gain within a law-based society, however, is legal responsibility- a duty to act within the legal framework drawn up by the government and judiciary.
- Taken one step further, a firm has an ethical responsibility to do no harm to its stakeholders and within its operating environment.
- Finally, firms have a discretionary responsibility, which represents more proactive, strategic behavior that can benefit the firm and society, or both (Werther and Chandler; 2011). These given responsibility parameters are needed to link with corporate activities to achieve sustainability in Indian agriculture.

Milton Friedman, as one of the proponent defends the idea that the corporation is instituted as a voluntary contract between corporate executives and the stockholders, who are the owners of the corporations. Corporations ought to only concern themselves solely with making profits for their stockholders within the bound of law and should not directly involve with the social benefit aspects of corporations and hence, CSR is meaningless. It is a fact that corporate relationships were based on equal relationship between two parties but in India, farmers community were characterized as resource starved small and marginal. Small farmers in India are not in a situation where they enjoy formal contracts due to their illiteracy and deprivations. There are vast sections of society that are still not in a position to know, what is in their welfare and mostly dependent on external or third party to exist.

Although recognizing that profits are necessary for any business to survive, for profit organizations are able to obtain those profits only because of the society in which they operate. CSR emerges from this interaction and the interdependent relationship between for profits and the society. Thus, to what extent is a business obliged to repay the debt it owes to society for its continued business success? CSR represents an argument for a firm's economic interests, where satisfying stakeholder needs become central to retaining societal legitimacy (and therefore, financial viability) over the long term *(ibid)*. The agribusiness practices explained in the third section which focused on the malpractices which were totally unethical and hence, require the adoption of CSR by the agricultural corporates of India.

To address these problems, farmer provided the following entry points, which could also form the building blocks or framework for a corporate social responsibility policy for the company: There is need for the company to honor its contract with regard to harvesting time. Delays in harvesting lead to reduced incomes to farmers due to natural degeneration of the crop. Such a cost must be incurred by the company itself. Input costs should be reduced as a special subsidy to farmers. The company should establish and implement some loan schemes for its contract farmers to particularly help them meet fees requirements for their children in time. There is need to strengthen farmers' associations to enhance their bargaining power (Waswa; 2009). The grabbing of land and property of farmers by corporate firms has been a recurring story from time to time requires CSR practices, unless would derail the very agenda of globalizing the Indian economy.

Farmers are made to believe that rights to the land that is so dear to them still rest with them either in the form of direct possession or in the form of shares even after the actual transfer of the land, in virtual form, to the company's management. They are also made to believe that they will continue to be involved in farming operations and will be assured of income by way of a share in profits, depending upon the extent of land contributed by them and through their work on the farm, which will be at the discretion of the company (Rao, 2013). Contract farming, most of the time, uses labour saving technologies which destroy the government's attempt to generate employment opportunities through globalization as generation of employment opportunities to more than 70 percent of rural population can't be materialized. Overexploitation of natural resources and application of inappropriate technologies were also the major issues of climate change as evident of depletion of ground water, not only affects farm production but also results into shortage of water in neighborhoods.

Production costs in contract farming are higher as the standard expected is higher. No company offers protection for crop failure. No crop insurance is given and thus production risk is not covered most of the time destroys the logic behind contract farming (Singh, 2013). Practices of price manipulation were against the company's contractual norm as high yields and fixed prices are the basic rationale for contract farming. Many companies take advantage of the clauses in the contract in case the harvest does not meet their requirement; they tend to buy it at a lower price or reject it altogether. Thus, market risk is not covered (*ibid*). Lack of written contracts, absence of contract in local languages and hence, hidden terms and conditions destroy the transparency and legal protection norm of companies as unless the contract documents is not fair, how would the company's practices be fair? There is a need of CSR in all these spheres of corporate practices.

The loss of welfare to the farmer as a group is real, consistent and perpetual. If continued unabated, it will cripple the rural economy beyond redemption. In a broader economic perspective, the farmers who are enthusiastic entrepreneurs and adopt new ventures are likely to be discouraged, whereas, those on the margins may leave the sector, swelling the group of urban poor (Deshpande; 2008) causes heavy consequences on socio-economic and environmental sustainability of the country. It is feared that the companies could gain greater control over land, manpower and local resources, besides shifting farmers away from producing food crops. Hence, there is an urgent need of CSR in corporate practices in a given context of country's situations. Some initiates in the wake of CSR practices, has been taken up by many companies like Alstom Foundation is actively involved in restoring the soil to increase agricultural productivity in remote areas of Gujarat, which suffered years of erosion from monsoons. The Pepsi Co India, in an attempt towards CSR has been involved in trials of direct seeding versus conventional transplantation in rice fields. The direct seeding methodology has shown the potential to reduce water consumption significantly. But, it is also speculated that these attempts of CSR might be an act of manipulations over government regulations for CSR for their company's reputation or political leverages etc. There is a need of true CSR that focuses on doing good for those who are affected by a corporation's actual line of business. Realistic solutions to these problems would require innovative approaches and strategies through a participatory decision making process involving the farmers, corporate and the government. It needs a long term role by government and civil society for enforcement and setting up a "trust based" contract farming with the small and marginal farmers.

The new companies bill 2013 mandates that every company having a net worth of Rs 500 crore or more, or a turnover of Rs 1000 crore or more, or a net profit of Rs 5 crore or more during any financial year must constitute a CSR Committee constituting of three or more directors, with at least one independent director. This Committee will formulate a CSR policy for the company and recommend the expenditure to be incurred on CSR activities, At least 2 percent of the average net profit of the company made during three previous financial years must be spent on CSR activities. CSR is a "positive, forward looking, reform-oriented and investor- friendly" (Sachin Pilot, Corporate Affairs Minister, 2013).

This is a very new concept and India perhaps is the first country in the world to have CSR in statute. The other countries that have any of these CSR legislations in a very loose format are Indonesia and France. But, India is being the first country to put CSR into statute (Gupta, S; 2013).

CSR must take into account the way corporations interact with the society and work according to the situations prevailing in India. So, companies must exercise CSR in their business practices for which, contracts need to be transparent and require frequent and independent scrutiny. Wide publicity of contractual terms and conditions can help to stimulate competition and improving pricing mechanisms. It is a trust between farmers and processors that is important for the continuity of production chains.

8. CONCLUSION

Maintaining a reasonable rate of growth, food security and employment to millions of poor below poverty line along with participating in the process of commercialisation of Indian agriculture are the major challenges before agricultural sector. While contract farming can be effective in introducing new technologies and providing external input to farmers, danger lies in firms extending technologies that bring financial benefits in the short run, but results in a long run destruction of the economic viability and sustainability of farmers and various other health and environmental impacts. But the problem lies due to the inherent characteristics of Indian agriculture which is not in a position to take the benefit generated by these initiatives. They simply don't satisfy the condition of contract based on equality and most of the time cheated due to their weak position. A concept of social responsibility among corporations can provide them with a standing base and support them to come out of these weaknesses. It should not be doubted that these agro-based companies have the potential to contribute to the development process by involving millions of people to develop their socio-economic profile. In India, where agricultural sector is a major source of GDP growth, the corporate/contract farming is of critical importance in reducing poverty and achieving progress towards the Millennium Development Goals. The emergence of CSR has played a significant role in enhancing the boundaries of action of corporate towards these objectives. For which, corporate must promote sustainable development through their supply chains by influencing peasants to adopt more environmentally and socially responsible practices. Therefore, corporations and government must ensure that contract farming is inclusive of smallholders and the production systems in which they have comparative advantages should be promoted. There is a need to focus on the role of government to initiate collectivization of farmer group for their better bargaining power along with the CSR.

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ENTRY MODES' CHOICE OF FOREIGN FIRMS IN ETHIOPIAN MARKET

GIRMA TILAHUN
RESEARCH SCHOLAR
PUNJABI UNIVERSITY
PATIALA

ABSTRACT

Countries and companies are participating in international marketing since global level of marketing has excelled domestic economic growth. Foreign expansions by all kinds of firms are the order of the day. Such expansions can be accomplished through various entry modes. It has been suggested that due to problems with coordinating and reconfiguring resources in an internationally dispersed network, transferring best practice across units, retaining key personnel and exchanging knowledge across geographically scattered units (Anderson, Havila & Salmi, 2001,) a lot of international acquisition and entry choices fail or underperforms (Bergh, 2001; Datta, pinches & Narayanan, 1992). Hence, the kind of entry modes foreign firms need to emphasis have been investigated in the paper. Both qualitative and quantitative methods of data analysis have been employed. Convenience sampling and simple random sampling were used. Forty foreign companies in Addis Ababa who completely filled and returned the questionnaire have been taken for analysis. The collected data was analyzed using mean, percentage, and rankings. The internal and external factors influencing entry mode were studied. The results of the findings show the important factors considered from Ethiopian context for entry mode choice of foreign firms to enter Ethiopia are control level of entry-mode, investment relatedness of line of business, firm's size, firm's experience in international marketing, and others. Rankings of sub components of political, socio-cultural, economic, and technological factors have been made separately. Furthermore, companies' interview made on major entry modes issues signifies some important points.

KEYWORDS

entry mode**,** dissemination risk, international market, international acquisition, foreign expansion.

INTRODUCTION

Globalization in this era is a reality that many countries' businesses in the world encounter today. Ethiopia is one part that might encounter the effect of globalization in international market. According to Czinkota and Ronkainen (2007) trade was in earlier centuries conducted internationally but never before had it have the same influence on national firms and individuals like it has today. The world trade in merchandise has grown from 6.2 Trillion dollars in year 2000 to over 9 trillion dollars in year 2005. Countries and companies are participating in international marketing since global level of marketing has excelled domestic economic growth. The developments in technology as the internet has allowed the supplying and buying of items worldwide. Participation in international marketing can be rewarding and a way to the success of the company and the employees. The fast globalization of business in the last decades has driven an increasing number of firms to develop entry strategies and to expand to market abroad to changing markets in Asia, and Latin America, and also in static market in North America, Europe, and Japan (Osland etal, 2001). When a company has decided to enter or expand overseas it must decide the organizational nature of its operations in that foreign country. Choice of entry mode is considered frontier issue in international business and crucial strategic decision from Multinational Corporation's perspective in international expansion process.

Foreign expansions by all kinds of firms are the order of the day. Such expansions can be accomplished through various entry modes. A foreign mode can be defined as "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country" (Root, 1998). There are many different entry modes such as subsidiaries, Greenfield investments, and acquisition. Some of these entry modes require firms to extend employment contracts to individuals located in foreign countries that are to undertake foreign direct investment (FDI). Firms that have engaged in such investments are called "multinational enterprises' (MNEs).

A single-entry strategy is not suitable for all products or in all countries. There are many characteristics that determine the appropriateness of entry strategy and many variables influence which strategy to choose. These characteristics include political risk, regulation, type of country, type of product, and other competitive and market characteristics. (Onkvist and Shaw, 2005). Cross border mergers and acquisitions are growing rapidly in importance precisely because they provide firms with the fastest way of acquiring tangible and intangible assets in different countries (Morosini, Shame & Singh, 1998).

That is why over the past decade we observed that the most growth in international expansion has been via cross border mergers and acquisitions (UNCTAD, 2005). However, it has been suggested that, for example , due to problems with coordinating and reconfiguring resources in an internationally dispersed network, transferring best practice across units, retaining key personnel and exchanging knowledge across geographically scattered units (Anderson, Havila & Salmi, 2001,) a lot of international acquisition fail or underperforms (Bergh, 2001; Datta, pinches & Narayanan, 1992,) Hence the paper will investigate how to expand internationally as a result of domestic market saturation and entry mode selection such as Greenfield investment, acquisition and joint ventures as a means to expand firms such as MNEs . More specifically, it focuses on how foreign firms enter to Ethiopia market? What kind of entry mode should they implement to enter Ethiopia? What are the main factors that have an impact on the foreign firms' entry mode choice decisions?

OBJECTIVES OF THE STUDY

The general objective of this study is to push forward research in the area of foreign entry modes' choices of MNCs in Ethiopia. The specific objectives are to increase our scientific understanding of the determinants of foreign entry mode choices and the subsequent performance of these entry modes and to identify internal and external factors on the choice of entry modes and also to examine the major entry modes that foreign firms emphasis in Ethiopia's market.

SIGNIFICANCE OF THE STUDY

The contribution of the findings will be indispensable to companies that intend to go international, investors, MNEs', international marketers, marketing managers, subsidiary and parent companies. The research will also assist policy makers, Ethiopian Investment Agency, Ethiopian Trade and Industry Ministry to review their strategy in line with the demands of foreign companies that intends to expand in Ethiopian market. Moreover, the study will serve as stepping stone for further research in the area under scrutiny.

STATEMENT OF THE PROBLEM

Yiu and Makino (2002) introduced an institutional perspective on foreign entry selection. The institutions perspective presented by them proposes that the choice of organizational structure can be seen as the outcome of organizational response to pressures coming from a firm's external environment and its internal practices and routines. However, this theory is differing from the traditional view that focuses on economic foundation for entry-mode decision. The institutional theory claims that firms choose organizational practices and structures such as entry mode depending on both internal and external factors. There have been many researches done on expansion including the decision on entry mode selection in other many countries. There is gap to undertake additional investigation in light of the variety of strategies and diverse industries within which MNE's operate in Ethiopia.

The purpose of this study is, thus, to provide a deeper understanding of the factors that determine MNE's choice of foreign market entry mode in Ethiopia. The following research questions regarding how market entry mode is influenced by various factors in Ethiopia is raised:

1. How can the influence of external factors on the choice of market mode be described?
2. How can the internal factors on the choice of market entry mode be described?
3. What do foreign companies that have successfully entered Ethiopia consider as key factors affecting the entry mode used in Ethiopia?

SCOPE AND LIMITATION OF THE STUDY

DELIMITATION OF THE STUDY

The study mainly focuses on Entry mode choices of Multinational enterprises (MNEs) in Ethiopia. The investigation focuses on factors or determinates of entry mode selection of MNEs in Ethiopia. All modes of entry would be difficult for getting the companies to fill the data. So, trade modes such as exporting and contractual modes were emphasized since some of the companies such as Ethiopian companies operating abroad and their customers there could not be easily accessed to provide the data needed.

LIMITATION OF THE STUDY

The major limitations which the researcher faced in the due course of the investigation till the production of the final paper were

- Unwillingness of some of the respondent
- Reduced size of the target respondents to 70 firms due to unavailability or wrong address of the companies or unavailability of the company managers inside Ethiopia and due to limited budget to incorporate large sample. This in turn might affect the reliability of the result.
- The open ended questionnaire which might have restricted the respondents to chose only approximates what the researcher has purported them to respond.
- Limited time and budget to discuss all dimensions of foreign entry mode determining factors.

RESEARCH METHODOLOGY

In this research undertaking, a descriptive approach was used to provide deeper understanding of the factors that determine MNC's choice of foreign entry selection. Both qualitative and quantitative methods of data analysis have been employed. The research used survey of subjects for the purpose. Target subjects were foreign companies operating in Ethiopia with branch offices in Addis Ababa.

SAMPLING PROCEDURE

Convenience sampling and simple random sampling were used. Since the last twenty three years there have been more than 7000 foreign companies operating in Ethiopia. For the purpose of the study data was taken out of 560 foreign companies registered since 2006 till 2012 and 45 other foreign registered companies in Ethiopia before or after 2006 till 2006. So, out of 605(560+45) populations, 120 were selected by simple random sampling from the foreign companies found in different sub cities of Addis Ababa. As mentioned in the limitation of the survey, the researcher was forced to reduce the sample to those conveniently fill the data and whose address was correctly identified. So, a mixture of simple random sampling along with convenience sampling was applied.

DATA COLLECTION AND ANALYSIS PROCEDURES

Data was collected using primary and secondary method of data gathering. Books, journals, articles, and internet were means for secondary sources and managers of firms and owners and employees, Ethiopian Investment Agency, Ethiopian Ministry of Trade and Industry and Chamber of Commerce were primary sources. The collected data was presented using tables and graphs and necessary statistical tools such as mean, percentage and ranking using SPSS were employed for analysis as the case demands. Questionnaire and interview were used to collect primary data from companies' managers and employees.

REVIEW OF RELATED LITERATURE

From the analysis of the literature study, entry-mode can be defined as "a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations, either by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)". According to Bradley (2002), and Jeannet and Hennessey (2001), the principal foreign market entry-modes can be classified into three categories:

i. Export entry-modes:
1. Indirect export; and
2. Direct export.
ii. Contractual entry-modes:
Licensing, franchising, technical agreement, service and management turnkey contracts, co-production agreement, contract manufacture.
iii. Investment entry-modes:
3. Joint ventures(JVs) used when resources are limited and knowledge dissipation risk is manageable; and
4. Foreign direct investment (FDI) and acquisition, used when knowledge dissipation risk is high and the firm has the requisite resources.

Each of the entry-mode above has its own advantages and disadvantages; one entry-mode cannot be suitable for all the foreign companies. The entry-mode selection decision is one of the most complex and important decisions faced by a global company. According to several studies (Cateora & Graham, 2007; Onkivist and Shaw2005; Doole and Lowe,2004; Sharan,2006; Meloan and Graham,1995)those main factors that must be taken into account in the selection of a mode of entry are firm's objective, firm's size, experience ,firm's product, characteristics from each entry-mode, political factors, economic factors ,socio-cultural factors, and technological factors.

ANALYSIS AND INTERPRETATION OF DATA

FACTORS AFFECTING FIRMS ENTRY MODE CHOICE

Two perspectives of firms entry mode factors have been analyzed, namely, internal factors and external factors. Out of 70 questionnaires distributed to sample respondents, 40 questionnaires which were filled completely are valid and considered for analysis. The questionnaire return rate was 57%.

i. INTERNAL FACTORS

The internal factors affecting firms' entry modes as identified from the questionnaire analysis turned out to be as follows.

TABLE 1: THE FIRM'S OBJECTIVE

Response Item	Respondents (number)	Percentage (%)
Irrelevant	2	0.05
Not important	2	0.05
Neutral	3	0.075
Important	28	0.7
Very important	5	0.125
Total	40	1

Source: Survey 2011/12

For the firm's objectives, the highest percentage (70%) of respondents selected the option *important*, followed by *very important* (12.5%), and *neutral* (7.5%).

TABLE 2: THE FIRM'S SIZE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	2	0.05
Neutral	5	0.125
Important	8	0.2
Very important	24	0.6
TOTAL	40	1

Source: Survey 2012

For the firm's size, from 40 respondents, the highest percentage (60%) of respondents selected the option very *important*, followed by *important* (20%), and *neutral* (12.5%).5% of the respondents chose *not important* for the answer.

TABLE 3: THE FIRM'S EXPERIENCE IN INTERNATIONAL MARKETING

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	3	0.075
Neutral	4	0.1
Important	15	0.375
Very important	28	0.7
TOTAL	40	1

Source: Survey 2011/12

The highest percentage (70%) of respondents selected the option very *important*, followed by *important* (37.5%), and *neutral* (10%). None of the respondents chose irrelevant for the answer.

For Table 4 through Table 13 see annex.

From internal factors, firm's experience, control of entry mode, investment relatedness and firm size, resource commitment and flexibility are considered the most relevant factors by the foreign companies to make marketing operations Ethiopia.

II. EXTERNAL FACTORS

External factors are those which come from the market environment related to the company, which includes the political environment, the economic environment, the socio-cultural environment and the technological environment (Phatak et al, 2005).

TABLE 14: POLITICAL FACTORS

Political factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Government stability in Ethiopia	4	.1	4	.1	2	.05	10	.25	20	.50
Government labour regulations in Ethiopia	3	.075	2	.05	7	.175	16	.40	12	.30
Import restrictions in Ethiopia	2	.05	3	.075	3	.075	22	.55	10	.25
Taxation policies in Ethiopia	1	.025	1	.025	5	.125	16	.40	17	.425
Incentive by government to Foreign investment	1	.025	3	.075	9	.225	16	.40	11	.275
Tariffs in Ethiopia	1	.025	4	.1	7	.175	18	.45	10	.25
Barriers to conversion and repatriation of income	2	.05	3	.075	10	.25	15	.375	10	.25
Political relationships between Ethiopia and *home* country	1	.025	1	.025	5	.125	13	.325	20	.5
Ability of host country to enforce existing laws	3	.075	6	.15	9	.225	14	.35	8	.20
Efficiencies of government agencies and institutions	1	.025	4	.1	13	.325	7	.175	15	.375
Legal restrictions to foreign ownership	3	.075	5	.125	18	.45	8	.20	6	.15

Source: Survey 2011/12

An analysis of Table 14 indicates the following:

- Concerning government stability in Ethiopia ,from 40 respondents, the highest percentage (50%) of respondents selected the option very *important*, and few (10%) of the respondents chose *not important* or *irrelevant* for the answer; For government labour regulations, the highest percentage (40%) of respondents selected the option *important;* For import regulations , the highest percentage (55%) of respondents selected the option *important; For* taxation policies , the highest percentage (42.5%) of respondents selected the option *very important;* Concerning foreign investment regulations in Ethiopia, the highest percentage (40%) of respondents selected the option *important; Regarding* tariffs in Ethiopia the highest percentage (45%) of respondents selected the option *important*; and concerning political relationships between Ethiopia and the firm's home country, the highest percentage (50%) of respondents selected the option *very important.*

TABLE 15: SOCIO-CULTURAL FACTORS

Socio cultural factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Population in Ethiopia	-	-	2	.05	9	.225	17	.425	12	.3
Life style in Ethiopia			2	.05	13	.325	18	.45	7	.175
Attitude and values in Ethiopia			7	.175	6	.15	17	.425	10	.25
Religion in Ethiopia	4	.125	4	.125	26	.65	10	.25	6	.15
Official language in Ethiopia	3	.075	4	.1	16	.4	11	.275	6	.15
Trade union in Ethiopia	2	.05	7	.175	12	.3	13	.325	6	.15
Education in Ethiopia	1	.025	6	.15	5	.125	15	.375	13	.325

Source: Survey 2011/12

An analysis of Table 15 shows the following:

- Concerning population size, the highest percentage (42%) of respondents selected the option *important*, and none of the respondents chose *irrelevant* ; for lifestyle ,the highest percentage (47%) of respondents selected the option *important*: regarding attitude and values in Ethiopia , the highest percentage (42.5%) of respondents selected the option *important*; for religion , the highest percentage (65%) of respondents selected the option *neutral* and only 15% of the respondents chose *very important* for the answer; Regarding official languages , the highest percentage (40%) of respondents selected the option *neutral*, and only 15% of the respondents chose *very important* for the answer; for education , the highest percentage (37.5%) of respondents selected the option *important*, and only 2.5% of the respondents chose *irrelevant* for the answer.

For Table 16 through table 17, see annex.

From external factors studied, the most important influencing factors for political sub factors are government stability and government regulations, import regulations and tariffs; for socio cultural sub factors, the most influencing factor is life style; for economic factors, the most influencing factors are growth rate of GDP, labor cost in Ethiopia, economy size and cooperation between home and host country; for technological factors, transport network and intellectual property rights are the most significant factors. Fifty percent of the respondents are neutral about religion and interest rate.

A QUANTITATIVE ANALYSIS OF THE RESEARCH FINDINGS

This section will use the quantitative method to analyse the result received above. Saunders, Lewis and Thornhill (1997) point out that the mean is the most frequently used measure of all data values in its calculation. In this research, the mean scores of response will be used to determine the rank order of the importance of those factors.

TABLE 18: IMPORTANT RANK OF THE MAIN FACTORS

Main influence factors	N	Mean	Rank
Firm's objective	40	3.83	**8**
Firm's size	40	4.22	**3**
Firm's Experience in international marketing	40	4.15	**4**
Diversification mode experience	40	3.30	**15**
Firms Product	40	4.05	**6**
investment relatedness of line of business	40	4.25	**2**
Control level of entry-mode	40	5.33	**1**
Dissemination risk of entry-mode	40	3.78	**9**
Resource commitment of entry-mode	40	4.03	**7**
flexibility of entry-mode	40	3.50	**14**
Ownership of entry-mode	40	3.70	**11**
Political factors	40	3.67	**13**
Socio-cultural factors	39	3.67	**12**
Economic factors	39	4.11	**5**
Technological factors	40	3.72	**10**
Valid N (list wise)	39		

Source: Survey 2011/12

According to Table 18 above, the important rank of the main factors considered for entry in Ethiopia, as indicated by the respondents, is listed as follows in order of relevance:

- Control level of entry-mode
- Investment relatedness of line of business
- Firm's size
- Firm's Experience in international marketing
- Economic factors
- Firms Product
- Resource commitment of entry-mode
- Firm's objective
- Dissemination risk of entry-mode
- Technological factors
- Ownership of entry-mode
- Socio-cultural factors
- Political factors
- Flexibility of entry-mode
- Diversification mode experience

TABLE 19: IMPORTANT RANK OF POLITICAL FACTORS

Political factors	Mean	Rank
Government stability in Ethiopia	4.00	3
Government labour regulations in Ethiopia	3.87	5
Import restrictions in Ethiopia	3.86	7
Taxation policies in Ethiopia	4.11	2
Foreign investment regulations in Ethiopia	3.97	4
Tariffs in Ethiopia	3.86	7
Political relationships between Ethiopia and home country	4.24	1

Source: Survey 2011/12

According to Table 19 above, the important rank of the political factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Political relationships between Ethiopia and home country
- Taxation policies in Ethiopia
- Government stability in Ethiopia
- Foreign investment regulations in Ethiopia
- Government labour regulations in Ethiopia
- Import restrictions in Ethiopia
- Tariffs in Ethiopia

TABLE 20: IMPORTANT RANK OF THE SOCIO-CULTURAL FACTORS

Socio-cultural factors	Mean	Rank
Population in Ethiopia	4.08	1
Lifestyle in Ethiopia	3.78	4
Attitude and values in Ethiopia	3.79	3
Religion in Ethiopia	3.24	7
Official languages in Ethiopia	3.42	5
Trade union force in Ethiopia	3.38	6
Education in Ethiopia	3.89	2

Source: Survey 2011/12

According to Table 20 above, the important rank of the socio-cultural factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Population in Ethiopia
- Education in Ethiopia
- Attitude and values in Ethiopia
- Lifestyle in Ethiopia
- Official languages in Ethiopia
- Trade union force in Ethiopia
- Religion in Ethiopia

TABLE 21: IMPORTANT RANK OF THE ECONOMIC FACTORS

Economic Factors	Mean	Rank
Size of economy in Ethiopia	3.87	5
Growth rates of GPD in Ethiopia	4.03	1
Inflation rates in Ethiopia	3.87	5
Interest rates in Ethiopia	3.42	8
Exchange rates in Ethiopia	3.76	6
Unemployment rates in Ethiopia	3.70	7
Labour cost in Ethiopia	4.00	2
Economic co-operation between Ethiopia and home country	3.99	3

Source: Survey 2011/12

According to Table 21 above, the important rank of the economic factors in Ethiopia, as indicated by the respondents, is listed as follows:

- Growth rates of GPD in Ethiopia
- Labour cost in Ethiopia
- Economic co-operation between Ethiopia and home country
- Size of economy in Ethiopia
- Inflation rates in Ethiopia
- Exchange rates in Ethiopia
- Unemployment rates in Ethiopia
- Interest rates in Ethiopia

TABLE 22: IMPORTANT RANK OF THE TECHNOLOGICAL FACTORS

Technological Factors	Mean	Rank
Communication infrastructure in Ethiopia	3.74	3
Transport network in Ethiopia	3.89	2
Labour skill in Ethiopia	3.74	4
Government spending on research in Ethiopia	3.45	5
Intellectual property protection in Ethiopia	3.34	6
Speed of technology transfer in Ethiopia	3.92	1

Source: Survey 2011/12

According to Table 22 above, the important rank of the technological factors in Ethiopia, as indicated by the respondents, is listed as follows

- Speed of technology transfer in Ethiopia
- Transport network in Ethiopia
- Communication infrastructure in Ethiopia
- Labour skill in Ethiopia
- Government spending on research in Ethiopia
- Intellectual property protection in Ethiopia

INTERVIEW ANALYSIS

The interview made to fifteen foreign companies consisting of eight questions indicated the following.

- Majority of the respondents agreed
- That there are competitors for their products/ firms.
- On problems of incentives and investment friendly policy by government
- On insufficiency of R&D facilities. The R&D facilities would help the firms acquire tangible assets
- On insufficiency or low quality of infrastructure
- About Positive influence of government for companies to enter Ethiopia
- On lack of skilled customers and workers
- All of the companies entered Ethiopia in line with their already established business area internationally
- Major factors for choosing Ethiopia, especially Addis Ababa are business opportunity, some facilities availability, Addis Ababa facilitating transaction better than regions, location of trade and industry minister in Addis Ababa.
- Lack of port negatively influenced but nearness to Europe and availability of raw materials are considered positive influencers
- Most important additional factors to enter Ethiopia are land availability, favorable climate, market condition, cheap labor, government support and the like.

Solutions suggested by the companies' managers to improve entry constraints to Ethiopian market consist of the following:-

- Allowing foreigners to trade
- Improving investor friendly infrastructure
- Consistent and transparent regulation and laws by the government
- Improving exchange and tax rate
- Incentive for exporters and local producers
- Fixed restriction to imports
- Improving skilled labour force.

CONCLUSION

Based on the factors related in the literature study, an empirical survey was designed to identify the important rank of those factors. Forty foreign companies operating in Ethiopia were chosen as a sample in this research. The questionnaire was designed with related questions to address those foreign companies which have already successfully entered Ethiopia.

Significant factors both internal and external influencers have been identified.

The important rank of the factors identified by those selected respondents consists of the following sequentially:

- Control level of entry-mode
- investment relatedness of line of business
- Firm's size
- Firm's Experience in international marketing
- Economic factors
- Firms Product
- Resource commitment of entry-mode
- Firm's objective
- Dissemination risk of entry-mode
- Technological factors
- Ownership of entry-mode
- Socio-cultural factors
- Political factors
- Flexibility of entry-mode
- Diversification mode experience

The interview made to managers of fifteen foreign firms in Ethiopia signifies the following major challenges.

- Competitor industry and product, local law problems(for specific products), not taking Ethiopia as initial base in foreign operations, little or insufficient R&D facilities, poor infrastructure, lack of transparency by government authorities, and proximity problems to international markets, lack of skilled customers and human resource.

On the other hand, Addis Ababa being central location of Ethiopia and federal city market made it preferred by foreign firms. Climate conditions, low cost of land by government, and cheap labor costs are considered favorable in Ethiopia.

RECOMMENDATIONS

Based on the findings the following recommendations are forwarded.

- FDI is recommended from control point of view and to ensure investment relatedness of line of business and since different markets can better be served with different products but bearing the limitations of this mode of entry like level of technology in the host country.
- The Ethiopian Investment Agency trade and industry bureau and foreign affairs ministry should do more work on strengthening the links with foreign investors in Ethiopia and make clear policy guidelines in the taxation of foreign investors business. FDI is recommended since it enhances the political and bilateral relationship with host country firms
- The people of Ethiopia are ethnically, linguistically and culturally diverse, and there is skilled manpower educated at primary, secondary and tertiary level and that can meet the demands of skill intensive industry. Since the country has multicultural people, it would be advisable for the foreign firms to test by exporting and then apply production to exploit high population which would mean high market potential and skilled labour force that can be used for their industry.
- Literature in Ethiopian business indicates that there are indicators of trainable labour force in the country and foreign firms can utilize these labour forces by investing here or by making a joint venture with local firms or by acquiring firms which are operating at low level of productivity in the country. But, based on the empirical findings, the foreign firms give highest consideration for the growth of GDP in the Ethiopia and there must be caution for the foreign firms that the per capita income and their modes of entry must go in similar direction. If they opt for foreign direct investment, they have to get back their investment by getting adequate market for their products in Ethiopian market and to this end exporting might be the best avenue for these firms to minimize the risk of low per capita although they can get some benefit from the cheap labour had they chosen FDI in Ethiopia.
- It is important for the government to increase the construction of road facilities and to enhance the telephone usage rate more to access every corner of the globe both domestically and internationally faster .The concerned government authorities like telecommunication corporation board, Road authority and railway officials need to work on the strengthening of these infrastructures.
- It would be better to opt for licensing or franchising in case of technology transfer, strategic alliance, contract manufacture or joint venture as the case demands to enter the Ethiopian market.

- The researcher would also like to recommend those suggested solutions by the foreign companies' managers such as allowing foreigners to trade, improving investor friendly infrastructure and transparent policy and laws, improving exchange and tax rate in line with global business environment, providing incentives for exporters and local producers to participate in global market, fixed restrictions on imports and improving skilled labour force.

SUGGESTIONS FOR FUTURE RESEARCH

Depending on this research undertaking any interested researcher can carry forward research undertaking taking into account:-

The limitation of the research specifically attempting to resolve problems of unwillingness of some respondents to participate in the research which was faced by this research. This could be made via awareness creation by a researcher, by getting assistance from concerned government officials in facilitating the required data for research, use of appropriate incentive for respondents which might demand some amount of budget by future researcher.

Using appropriate data analysis particularly advanced parametric or non-parametric data analysis techniques depending of the distribution of data. It is to be noted that mean and ranking of relevant factors considered by foreign companies to enter in Ethiopia have been done in this research.

Incorporating of regional states in Ethiopia apart from foreign companies found in Addis Ababa since the current study focused mainly on foreign companies found in Addis Ababa on the assumption that companies in Addis Ababa would represent companies in the regions and for the reason stated under limitation of the study.

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ANNEXURE

TABLE 5: DIVERSIFICATION MODE EXPERIENCE FREQUENCY

Response Item	*Respondents*	
	No.	*Percentage (%)*
Irrelevant	*1*	*0.025*
Not important	*7*	*0.175*
Neutral	*18*	*0.45*
Important	*6*	*0.15*
Very important	*8*	*0.2*
TOTAL	*40*	*1*

Source: Survey 2011/12

TABLE 6: THE FIRM'S PRODUCT

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	0	0
Neutral	1	0.025
Important	14	0.35
Very important	24	0.6
TOTAL	40	1

Source: Survey 2011/12

TABLE 7: INVESTMENT RELATEDNESS OF THE PRODUCT LINE

Response Item	Respondents	
	No.	Percentage(%)
Irrelevant	1	0.025
Not important	0	0
Neutral	1	0.025
Important	22	0.55
Very important	26	0.65
TOTAL	40	1

Source: Survey 2011/12

TABLE 8: THE CONTROL OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	0	0
Neutral	5	0.125
Important	18	0.45
Very important	27	0.675
TOTAL	40	1

Source: Survey 2011/12

TABLE 9: THE DISSEMINATION RISK OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	9	0.225
Neutral	10	0.25
Important	10	0.25
Very important	11	0.275
TOTAL	40	1

Source: Survey 2011/12

TABLE 10: THE RESOURCE COMMITMENT OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	1	0.025
Not important	2	0.05
Neutral	3	0.075
Important	22	0.55
Very important	12	0.3
TOTAL	40	1

Source: Survey 2011/12

TABLE 11: THE FLEXIBILITY OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	8	0.2
Neutral	9	0.225
Important	19	0.475
Very important	4	0.1
TOTAL	40	1

Source: Survey 2011/12

TABLE 12: THE OWNERSHIP OF ENTRY-MODE

Response Item	Respondents	
	No.	Percentage (%)
Irrelevant	0	0
Not important	6	0.15
Neutral	6	0.15
Important	17	0.425
Very important	11	0.275
TOTAL	40	1

Source: Survey 2011/12

TABLE 13: OWNERSHIP TYPE (JOINT VENTURE/WHOLLY OWNED)

Response Item	Respondents	
	No.	Percentage(%)
Irrelevant	3	0.075
Not important	6	0.15
Neutral	4	0.1
Important	13	0.325
Very important	15	0.375
TOTAL	40	1

Source: Survey 2011/12

TABLE 16 ECONOMIC FACTORS

Economic factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Size of economy in Ethiopia	-		5	.125	4	.1	18	.45	13	.325
Growth rates of GPD in Ethiopia	1	.025	2	.05	9	.225	15	.375	15	.375
Inflation rates in	-		5	.125	15	.375	9	.225	11	.275
Interest rates in Ethiopia	1	.025	2	.05	21	.525	9	.225	7	.175
Exchange rates in Ethiopia	1	.025	3	.075	6	.15	19	.475	11	.275
Unemployment rates in Ethiopia	5	.125	2	.05	5	.125	16	.40	12	.30
Labour cost in Ethiopia	1	.025	2	.05	3	.075	20	.50	14	.35
Economic co-operation between Ethiopia and home country	1	.025	4	.1	7	.175	10	.25	18	.45

Source: Survey 2011/12

TABLE 17: TECHNOLOGICAL FACTORS

Technological factors	Irrelevant		Not important		Neutral		Important		Very Important	
	No.	%	No.	%	No.	%	No.	%	No.	%
Communication infrastructure in Ethiopia	3	.075	7	.175	3	.075	14	.35	13	.325
Transport network in Ethiopia	-		6	.15	3	.075	20	.5	11	.275
Labour skill in Ethiopia	2	.05	4	.1	10	.25	14	.35	10	.25
Government spending on research in Ethiopia	2	.05	6	.15	13	.325	10	.25	9	.225
Intellectual property protection in Ethiopia	2	.05	8	.2	15	.425	7	.175	8	.2
Speed of technology transfer in Ethiopia	-	-	4	.1	9	.225	14	.35	13	.325

Source: Survey 2011/12

A COMPARATIVE STUDY ON THE SERVICE QUALITY OF BANKS WITH REGARD TO OCCUPATION AND INCOME OF THEIR CUSTOMERS

DILIP KUMAR JHA
ASST. PROFESSOR
DEPARTMENT OF ECONOMICS
GURU GHASIDAS VISHWAVIDYALAYA
KONI

ABSTRACT

The entry of information technology into the banking industry has created a revolution in this sector. To beat one another, service providers viz. public sector, private sector and foreign sector banks launches new kind of technological application into banking services every day. In this situation, expectations rise and customers become more inclined towards the quality of service aspects. Thus, ultimately it is the service quality that differentiates the best banking out of the average one, in the coming days. This research adopted a survey questionnaire based on the amended Banking Service Quality Scale. It included five service quality dimensions, broken down into 28 statements, for capturing the wide range of services offered by the three banks namely public sector, private sector and foreign sector banks. The research findings show that there are significant differences among the Indian private, public and foreign banking sectors in terms of customer perceptions of service quality and the degree of importance attached to various dimensions of service quality.

KEYWORDS

Service quality, private banking sector, public banking sector, foreign banking Sector, Banking Service Quality.

1. INTRODUCTION

Service quality offers a way of achieving success among competing services, particularly in the case of firms that offer nearly identical services, such as banks, where establishing service quality may be the only way of differentiating oneself. The Banking sector being a service-oriented industry has to sustain on the ground of quality of customer service. The prompt, efficient and speedy customer service will tempt the existing customers to continue and induce new customers to try the services offered by a bank. At the same place, if customers perceive quality as unsatisfactory, they may be quit to take their businesses elsewhere.

Therefore, level of customer satisfaction is becoming the major target of banks to increase their market share. Non-price factors become more important, now a day. Bankers have to shed a lot of old ideas, change in practices, develop customer loyalty programmes, and adopt a distinct approach to meet the challenges ahead. Every Bank, where it is private or public or foreign sector, is trying hard to achieve this and want to associate their customers for the long term duration. Hence, it is desirable for banks to develop a customer-centric approach for future survival and growth.

2. OBJECTIVES OF THE STUDY

The broad objectives of the study are as follows:

1. To compare the perceptions of the people in terms of their occupation about the quality dimensions of bank's services provided by the selected branches of the three major Indian banking segments i.e., private, public and foreign banks.
2. To compare the perceptions of the people in terms of their income about the quality dimensions of bank's services provided by the selected branches of the three major Indian banking segments i.e., private, public and foreign banks.
3. To make recommendations to enhance customer satisfaction in the banking industry in general.

1.2.1: HYPOTHESES

Hypothesis 1: There are no significant differences in the perceptions of the Occupational groups regarding the quality dimension of the bank service.
Hypothesis 2: There are no significant differences in the perceptions of the Income groups regarding the quality dimension of the bank

3. METHODOLOGY

This study has been conducted in New Delhi, as it being the national capital and Mumbai, as being the business centre of the country. Both of these cities witness the latest changes in the banking services and have almost all the present day consumer banking service dimensions which satisfy the customers. Moreover, both the place is also representative of people belonging to various demographic profile of urban life relevant to modern consumer banking services.

A convenience sampling of roughly 520 dispersed banking customers within the six selected banks branches from public, private and foreign banking sectors of India from the two cities both male and female was considered for the study purpose. Two branches were selected from each bank, with care to include variation in geographic location and size. The unit of observation and analysis of this study is the individual banking customer, either in private or public or foreign banks. The definition of banking customer is "an individual who has had (during the study period) bank account in anyone of the above three banking sectors.

A well structured questionnaire was prepared for this study. The questionnaire was divided into three sections. Section A was designed to obtain demographic information about customers, Section B had 28 questions which were intended to analyze the awareness and satisfaction of the customers contacted for this study. In section B, the questions were on the basis of Likert's five point scale.

4. RESULT & DISCUSSION

The result (Table1) indicates that the businessmen (44.2%) and service persons (36.5%) visit the bank branch more regularly to satisfy their financial needs in compare to Professional (5.8%) and others (13.5%). This means, bank should more inclined to satisfy the needs of the businessmen and service persons as to make larger profits.

ANOVA Test results (Table 3) propose that there is a significant variance in the perception among Occupational status of the respondent about the quality dimension of the three types of bank namely Private sector Bank, Public Sector Bank and Foreign Sector Bank at 5% level of significance. It shows that the foreign sector and private sector banks cater the needs of businessmen and service persons in a better way as compared to public sector banks.

The different income group of the respondents (Table 2) shows that, majority of the respondent (63.5 %) belongs to the annual income between 2-5 lakh, 28.8% of them had income less than one lakh, while only 5.8% and 1.9 % of the respondent were belong to high income group people (from 5-7 lakh and above). It means, the middle income group people is the prime concern for the new generation banks. Thus, quality of the banking services should be so designed as to satisfy the need of the middle income group people mostly.

It was also found that (Table 4) there is a significant variance in the perception among the different income group of the respondents about the quality dimension of the banks taken for the study purpose. It shows that the foreign sector and private sector banks offer wide range of products to lure the middle income group people as compare to public sector bank.

Therefore, on the basis of this study, it can be stated that within the creative management of the construct of service quality, managers of the respective banks may contribute to the achievement of both external marketing goals and internal bank goals, as improving the level of service quality provided to the customers may help to benefit the banks, in terms of customer satisfaction, customer loyalty and then profitability.
Thus, it is recommended that Indian banking sector should work on improving their marketing strategies and policies to enhance the levels of service quality.

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APPENDIX

TABLE 1: OCCUPATIONAL STATUS OF THE RESPONDENT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Service	190	36.5	36.5	36.5
	Professional	30	5.8	5.8	42.3
	Business	230	44.2	44.2	86.5
	Others	70	13.5	13.5	100.0
	Total	520	100.0	100.0	

TABLE 2: DISTRIBUTION OF INCOME OF THE RESPONDENT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 Lakh	150	28.8	28.8	28.8
	1 - 5 Lakh	330	63.5	63.5	92.3
	5 - 7 Lakhs	10	1.9	1.9	94.2
	Above 7 Lakhs	30	5.8	5.8	100.0
	Total	520	100.0	100.0	

TABLE 3: ANOVA TABLE-OCCUPATION VERSUS QUALITY DIMENSIONS

		Sum of Squares	df	Mean Square	F	P value
Modern Equipments	Between Groups	15.955	3	5.318	3.911	.009*
	Within Groups	701.737	516	1.360		
	Total	717.692	519			
Counting Machines	Between Groups	37.088	3	12.363	12.704	.000*
	Within Groups	502.142	516	.973		
	Total	539.231	519			
Credit Card	Between Groups	46.381	3	15.460	9.373	.000*
	Within Groups	851.119	516	1.649		
	Total	897.500	519			
Internet Banking	Between Groups	66.388	3	22.129	14.515	.000*
	Within Groups	786.688	516	1.525		
	Total	853.077	519			
Updating Passbooks	Between Groups	47.548	3	15.849	14.461	.000*
	Within Groups	565.529	516	1.096		
	Total	613.077	519			
Clarity in stat./bill	Between Groups	42.869	3	14.290	13.420	.000*
	Within Groups	549.439	516	1.065		
	Total	592.308	519			
Error free Service	Between Groups	38.494	3	12.831	13.122	.000*
	Within Groups	504.583	516	.978		
	Total	543.077	519			
Safe Transaction	Between Groups	35.012	3	11.671	12.725	.000*
	Within Groups	473.257	516	.917		
	Total	508.269	519			
New services	Between Groups	19.216	3	6.405	5.254	.001*
	Within Groups	629.053	516	1.219		
	Total	648.269	519			
Attends Needs	Between Groups	3.350	3	1.117	.788	.501
	Within Groups	731.073	516	1.417		
	Total	734.423	519			

Grievance Redressal	Between Groups	69.519	3	23.173	13.688	.000*
	Within Groups	873.558	516	1.693		
	Total	943.077	519			
Replacement of Products	Between Groups	9.180	3	3.060	4.573	.004*
	Within Groups	345.244	516	.669		
	Total	354.423	519			
Equal Treatment	Between Groups	39.139	3	13.046	7.198	.000*
	Within Groups	935.284	516	1.813		
	Total	974.423	519			
Understandable Staffs	Between Groups	15.889	3	5.296	4.975	.002*
	Within Groups	549.304	516	1.065		
	Total	565.192	519			
Fulfill Promises	Between Groups	11.356	3	3.785	3.062	.028*
	Within Groups	637.875	516	1.236		
	Total	649.231	519			
Telephonic Queries	Between Groups	49.159	3	16.386	13.210	.000*
	Within Groups	640.072	516	1.240		
	Total	689.231	519			
Knowledgeable Staffs	Between Groups	29.950	3	9.983	6.453	.000*
	Within Groups	798.320	516	1.547		
	Total	828.269	519			
Cordial Customer Relation	Between Groups	15.896	3	5.299	6.235	.000*
	Within Groups	438.527	516	.850		
	Total	454.423	519			
Prompt Service	Between Groups	9.806	3	3.269	2.810	.039*
	Within Groups	600.194	516	1.163		
	Total	610.000	519			
Competitive Charges	Between Groups	46.670	3	15.557	21.036	.000*
	Within Groups	381.600	516	.740		
	Total	428.269	519			
Cheaper Interest Rates	Between Groups	46.357	3	15.452	19.540	.000*
	Within Groups	408.066	516	.791		
	Total	454.423	519			
Convenient Time	Between Groups	17.231	3	5.744	5.363	.001*
	Within Groups	552.577	516	1.071		
	Total	569.808	519			
Pleasant Facilities	Between Groups	20.541	3	6.847	4.436	.004*
	Within Groups	796.382	516	1.543		
	Total	816.923	519			
Comfortable waiting Area	Between Groups	122.123	3	40.708	15.376	.000*
	Within Groups	1366.146	516	2.648		
	Total	1488.269	519			
Parking Facilities	Between Groups	69.585	3	23.195	11.872	.000*
	Within Groups	1008.107	516	1.954		
	Total	1077.692	519			
Approachable Distance	Between Groups	14.791	3	4.930	5.787	.001*
	Within Groups	439.632	516	.852		
	Total	454.423	519			
Overall Satisfaction	Between Groups	12.769	3	4.256	4.479	.004*
	Within Groups	490.308	516	.950		
	Total	503.077	519			
Overall Servqual	Between Groups	9.185	3	3.062	3.411	.017*
	Within Groups	463.123	516	.898		
	Total	472.308	519			

SD-Standard Deviation, *significant Differences, P<0.05

TABLE 4: ANOVA TABLE-INCOME VERSUS QUALITY DIMENSIONS

		Sum of Squares	df	Mean Square	F	P value
Modern Equipments	Between Groups	201.692	3	67.231	67.231	.000*
	Within Groups	516.000	516	1.000		
	Total	717.692	519			
Counting Machines	Between Groups	78.625	3	26.208	29.360	.000*
	Within Groups	460.606	516	.893		
	Total	539.231	519			
Credit Card	Between Groups	132.045	3	44.015	29.671	.000*
	Within Groups	765.455	516	1.483		
	Total	897.500	519			
Internet Banking	Between Groups	191.622	3	63.874	49.828	.000*
	Within Groups	661.455	516	1.282		
	Total	853.077	519			
Updating Passbooks	Between Groups	81.804	3	27.268	26.484	.000*
	Within Groups	531.273	516	1.030		

	Total	613.077	519			
Clarity in stat./bill	Between Groups	181.035	3	60.345	75.711	.000*
	Within Groups	411.273	516	.797		
	Total	592.308	519			
Error free Service	Between Groups	87.925	3	29.308	33.227	.000*
	Within Groups	455.152	516	.882		
	Total	543.077	519			
Safe Transaction	Between Groups	146.815	3	48.938	69.863	.000*
	Within Groups	361.455	516	.700		
	Total	508.269	519			
New Services	Between Groups	163.663	3	54.554	58.089	.000*
	Within Groups	484.606	516	.939		
	Total	648.269	519			
Attends Needs	Between Groups	235.272	3	78.424	81.071	.000*
	Within Groups	499.152	516	.967		
	Total	734.423	519			
Grievance Redressal	Between Groups	236.653	3	78.884	57.620	.000*
	Within Groups	706.424	516	1.369		
	Total	943.077	519			
Replacement of Products	Between Groups	42.666	3	14.222	23.539	.000*
	Within Groups	311.758	516	.604		
	Total	354.423	519			
Equal Treatment	Between Groups	301.332	3	100.444	77.002	.000*
	Within Groups	673.091	516	1.304		
	Total	974.423	519			
Understandable Staffs	Between Groups	119.738	3	39.913	46.233	.000*
	Within Groups	445.455	516	.863		
	Total	565.192	519			
Fulfill Promises	Between Groups	104.625	3	34.875	33.043	.000*
	Within Groups	544.606	516	1.055		
	Total	649.231	519			
Telephonic Queries	Between Groups	55.534	3	18.511	15.073	.000*
	Within Groups	633.697	516	1.228		
	Total	689.231	519			
Knowledgeable Staffs	Between Groups	241.845	3	80.615	70.934	.000*
	Within Groups	586.424	516	1.136		
	Total	828.269	519			
Cordial customer Relation	Between Groups	77.817	3	25.939	35.540	.000*
	Within Groups	376.606	516	.730		
	Total	454.423	519			
Prompt Service	Between Groups	125.394	3	41.798	44.506	.000*
	Within Groups	484.606	516	.939		
	Total	610.000	519			
Competitive Charges	Between Groups	14.330	3	4.777	5.954	.001*
	Within Groups	413.939	516	.802		
	Total	428.269	519			
Cheaper Interest Rates	Between Groups	9.817	3	3.272	3.798	.010*
	Within Groups	444.606	516	.862		
	Total	454.423	519			
Convenient Time	Between Groups	45.202	3	15.067	14.820	.000*
	Within Groups	524.606	516	1.017		
	Total	569.808	519			
Pleasant Facilities	Between Groups	236.923	3	78.974	70.260	.000*
	Within Groups	580.000	516	1.124		
	Total	816.923	519			
Comfortable Waiting Area	Between Groups	382.451	3	127.484	59.487	.000*
	Within Groups	1105.818	516	2.143		
	Total	1488.269	519			
Parking Facilities	Between Groups	138.904	3	46.301	25.449	.000*
	Within Groups	938.788	516	1.819		
	Total	1077.692	519			
Approachable Distance	Between Groups	24.969	3	8.323	10.000	.000*
	Within Groups	429.455	516	.832		
	Total	454.423	519			
Overall Satisfaction	Between Groups	115.804	3	38.601	51.432	.000*
	Within Groups	387.273	516	.751		
	Total	503.077	519			
Overall Servqual	Between Groups	111.944	3	37.315	53.430	.000*
	Within Groups	360.364	516	.698		
	Total	472.308	519			

SD-Standard Deviation, *significant Differences, P<0.05

PRE AND POST-MERGER FINANCIAL PERFORMANCE ANALYSIS OF RELIANCE POWER LIMITED

DR. PRATIBHA JAIN
ASST. PROFESSOR
SAI SINHGAD BUSINESS SCHOOL
PUNE

ABSTRACT
Mergers and acquisitions are strategic decisions leading to maximization of a company's growth by enhancing its production and marketing actions. A merger results into an economic gain when the combined firms are worth more together than as separate bodies. The present study made an effort to analyse pre and post-merger findings and implications on the company Reliance Power Ltd. (R-Power). It was established to develop, construct and operate power projects in the Indian and international markets. Reliance Natural Resources Limited (RNRL) was an Indian energy company involved in sourcing, supply and transportation of gas, coal and liquid fuels. It was merged with Reliance Power in 2010. The present study examines the comparative difference between pre and post-merger implications on the company R-Power in terms of profitability, solvency, liquidity and market valuation standards. Accounting technique of ratio analysis and statistical tool of averages were used for evaluation. The results specified a significant positive value creation to the surviving company R-Power. The inference of the results will deliver new proposals for the future and leads to greater value creation.

KEYWORDS
Economic gain, market valuation, pre and post-merger, profitability, value creation.

INTRODUCTION
Mergers and Acquisitions are vital corporate plan actions that support the firm in external growth and offer it competitive advantage. In today's globalized economy, mergers and acquisitions are more and more used the world wide, for improving effectiveness and competitiveness of corporations through attainment of larger market share, lengthening the portfolio to lessen business threat, for entering innovative markets and layouts, and exploiting on economies of scale etc. Financial performance analysis must also include concern of strategic and economic developments for the firm's long-run objective attainment. Basically a merger is said to occur when two or more companies combine into one company. Financial evaluation before and after merger results into enhancement of competitive success of the surviving company.

REVIEW OF LITERATURE
According to **Cascio (2002)**, debt restructuring is also known as financial restructuring. This process allows a private or public limited company having cash flow problems and financial crunch, to reduce and reassign its negligent obligations in order to recover or reestablish liquidity and adjust so that it can continue its actions.

Amit Singh Sisodiya and Sailaja Mannavar (2006), explained acquisition of Balsara group by Dabur India Ltd. The acquisition of Balsara has helped Dabur widen its products portfolio. Balsara's focus was not right and they were not deploying their resources in the right manner thus over the last two financial years, Balsara had only accumulated losses. As a result, in Jan. 2005 Dabur acquired Balsara and earned net profit of Rs. 7.3 crores because of strong financial practices.

Jay Mehta & Ram Kumar Kakani (2006), compared the logic behind the international mergers & acquisitions situation with the Indian scene and found both as an opportunity and as vital standpoints. In order to hold the demands of the new operating environment that the Indian banking industry is encountered with different approaches have been implemented. And one such approach is consolidation via mergers and acquisitions. They have attempted to find out the fact that Mergers and Acquisitions are highly environment reliant and therefore there is a continuous focus on this feature while concerning to different practices.

Vanitha and Selvan (2007), also found that financial performance of the acquired firms improves than the target corporations.

Pramod Mantravadi & A Vidyadhar Reddy (2008), intended to study the effect of mergers on the operating performance of acquiring firms in different industries, by inspecting some pre- merger and post-merger financial ratios, with the sample of firms selected as all mergers involving public limited and traded companies in India between 1991 and 2003. The consequences suggest that there are negligible differences in terms of effect on operating performance resulting mergers, in different industries in India.

OBJECTIVES
1. To evaluate pre and post-merger influence on profitability situation of the surviving company i.e. R- Power.
2. To determine pre and post-merger effect on solvency status of the surviving company i.e. R-Power.
3. To analyze pre and post-merger impact on liquidity and market valuation position of the surviving company i.e. R-Power.

RESEARCH METHODOLOGY
METHODS OF DATA COLLECTION:- Annual reports of R-Power as well as financial reports present on various stock market websites are also used for collection of secondary data. The study is exclusively descriptive and analytical in nature because no field work has been done to assemble primary data. Other information is collected from different research articles, books, journals etc. Further, we have examined one year data for pre-merger and three year data for post-merger financial performance analysis.

TIME PERIOD OF THE STUDY:-The study has been conducted from 2009 to 2013 i.e. for 5 years in which 2010 is considered as base year because during this year RNRL was merged with R-Power.

DATA ANALYSIS & INTERPRETATION TECHNIQUES

(i) In this study we have analysed influence of merger on the financial performance of the surviving company by considering certain financial ratios:

Profitability Ratios

Ratio	Standard norm applied
Gross Profit Margin	High
Net Profit Margin	High
Return on Assets	High
Return on Net worth	High
Return on Capital Employed	High

Solvency Ratios

Ratio	Standard norm applied
Debt-Equity	1:1
Total Debt to Owners Fund	0.67:1
Interest Cover	8 times

Liquidity Ratios

Ratio	Standard norm applied
Current Ratio	2:1
Quick Ratio	1:1

Market Valuation Ratios

Ratio	Standard norm applied
Earnings Per Share	High
Dividends Payout Ratio	Moderate
Earnings Retention Ratio	Moderate

(ii) Statistical technique of averages is also used for interpretation.

ANALYSIS AND INTERPRETATION

TABLE 1: PROFITABILITY RATIOS (2009-2013)

Particulars	2009	2010	2011	2012	2013	Average
Gross Profit Margin (%)	--	--	-379.40	-142.84	-921.31	-481.183
Net Profit Margin (%)	90.90	122.09	98.06	58.44	204.87	114.872
Return On Capital Employed (%)	--	--	0.60	2.30	0.68	1.193333
Return On Net Worth (%)	--	--	1.72	1.93	3.05	2.233333
Return on Assets	57.55	58.69	56.67	57.40	59.98	58.058

It is revealed from table 1 that gross profit margin was negligible in 2009 and 2010 i.e. before and during the period of merger. It became negative after merger and reached -921.31% which was not at all good for the company. Contrast to that net profit margin was 122.09% during the period of merger i.e. In 2010 while it increased to 204.87% in 2013 after merger indicated that the administration of the company was capable to run the business with appropriate success and recuperate expenditures from incomes of the period. Return on capital employed (ROCE) was 0.60% in 2011, increased to 2.30% in 2012 then again decreased to 0.68% in 2013 was not upright indicator for the company after merger. Return on net worth (RONW) was not there in 2009 and 2010 i.e. before and during merger. It was 1.72% in 2011 and became 3.05% in 2013 after merger. RONW has shown an increasing trend reflecting effective return on wealth. Return on Assets (ROA) was 57.55% in 2009 and 59.98% in 2013 i.e. after merger. Average ROA was around 58.06%. Return on assets of 10% is considered satisfactory for any firm. This ratio was very good compared with standard.

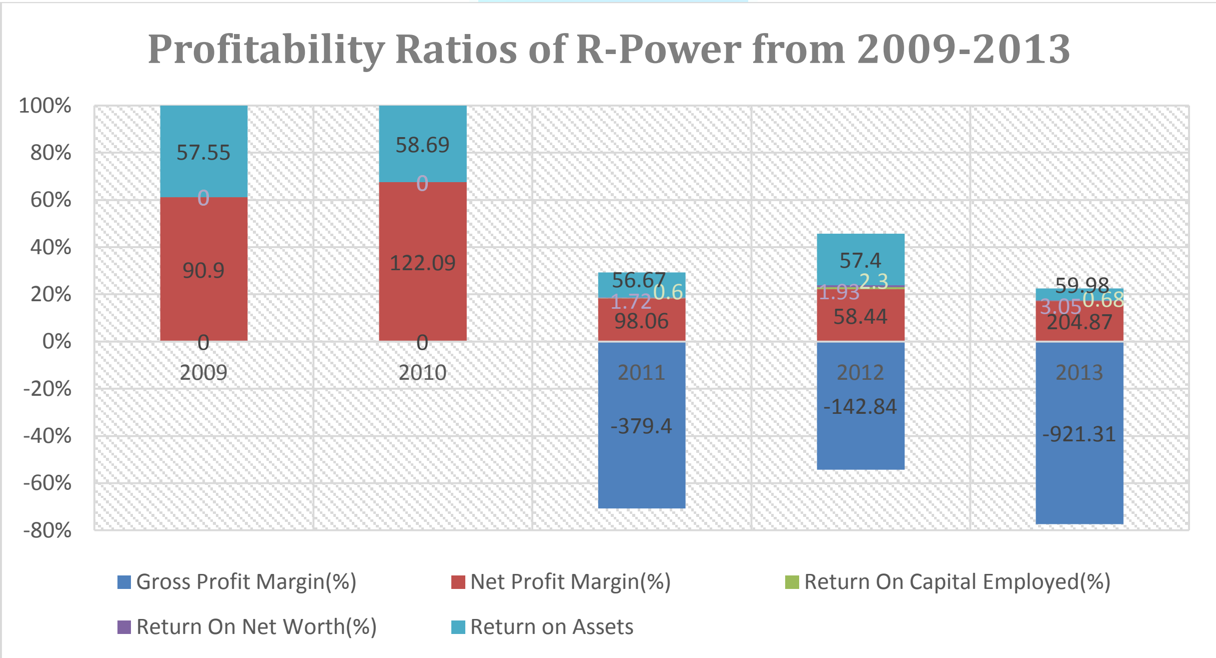

TABLE 2: SOLVENCY RATIOS (2009-2013)

Particulars	2009	2010	2011	2012	2013	Average
Debt Equity Ratio	--	--	0.10	--	0.11	0.105
Total Debt to Owners Fund	--	--	0.10	--	0.11	0.105
Interest Cover	--	--	3.12	6.15	5.81	5.026667

It is cleared from table 2 that debt equity ratio during 2011 was 0.10 times and 0.11 times during 2013 which was after merger. The ratio was below the standard of 1:1. A low ratio of debt to equity inferred a greater entitlement of proprietors than that of creditors. Total debt to owner's fund ratio again remained 0.10 times in 2011 and 0.11 times during 2013 which was after merger. As such the rule of thumb proposes a ratio of 0.67 : 1. As compared to standard the ratio of total debt to owner's fund was low which was satisfactory for the company. After merger interest cover was 3.12 times in 2011 and 5.81 times in 2013. Average interest cover was around 5.03 times. The ratio was low as compared with standard of 8 times indicated that the company was paying satisfactory interest on debt.

TABLE 3: LIQUIDITY RATIOS (2009-2013)

Particulars	2009	2010	2011	2012	2013	Average
Current Ratio	167.36	189.31	26.50	31.80	2.08	83.41
Quick Ratio	167.36	189.31	74.44	31.80	89.65	110.512

In table 3 it is reflected that the current ratio was the highest i.e. 189.31 times in 2010 and the lowest 2.08 times during 2013 which was after merger. A ratio of 2:1 or higher is considered satisfactory for most of the companies. So this ratio was very high in 2009 and 2010 and satisfactory after merger in 2013 which shown reasonable short-term-debt paying ability of the business. Quick ratio of the company was again highest i.e. 189.31 times in 2010 and the lowest 31.80 times during 2012 which was after merger. Generally, a quick ratio of 1:1 is considered satisfactory. Here in this study, it is found that quick ratio was very high (average = 110.51 times) as compared with standard norm. It revealed that there were certain flaws in cash management and receivables management.

TABLE 4: MARKET VALUATION RATIOS (2009-2013)

Particulars	2009	2010	2011	2012	2013	Average
Earnings Per Share (Rs.)	1.04	1.14	0.98	1.11	1.11	1.076
Dividend payout Ratio	--	--	--	--	--	--
Earnings Retention Ratio (%)	100.00	100.00	100.00	100.00	100.00	100

Table 4 shows that earnings per share (EPS) was Rs. 1.04 in 2009, turned out to be 0.98 in 2011 and 1.11 in 2013. EPS was almost satisfactory after merger. Company was not distributing dividend to its shareholders before and after merger, so there is no dividend payout ratio. The company should distribute some part of the profits as dividends. The earnings retention ratio was 100% during pre and post-merger period as the company was not paying dividends and reinvesting its entire earnings.

OBSERVATIONS AND FINDINGS

Important observations and findings of the study covering different aspects of pre and post-merger financial performance analysis are:

(i) PRE-MERGER FINDINGS

1) Gross profit margin was negligible while net profit margin was good. ROCE was not up to the mark and RONW was again negligible. ROA was quite on higher side. Thus overall profitability was not satisfactory for the growth of the company.
2) All three ratios of solvency i.e. debt equity ratio, total debt to owners fund and interest cover were almost negligible which is not at all good indication of long-term and short-term credit worthiness of the company. The interest cover was reasonable indicating that company is not defaulter in paying interest. So overall solvency position was not that much effective.
3) Both liquidity ratios i.e. current and quick ratios were very high revealing improper organization of current assets and current liabilities.
4) EPS of the Company was adequate enough. The company was not distributing dividends and retaining the entire earnings as shown by dividend payout and earnings retention ratios. The company was adopting conservative dividend distribution policy.

(ii) POST-MERGER FINDINGS

1) Gross profit margin was negative in all three years after merger while net profit margin was increased to an extraordinary level of performance. ROCE was increased in 2012 and then again decreased in 2013. RONW has shown an increasing trend showing effective yield on capital. ROA was very good for the entire study period. Therefore, overall profitability of the company was reflecting improved employment of available funds, cutoff costs and quality of controlling role in the products, effective consumer services, goodwill and market share.
2) Debt equity ratio and total debt to owners fund were similar in all years under study after merger. Both ratios were satisfactory showing more claim of owners than that of creditors. The interest cover was within acceptable limits means company was paying sufficient interest on debt. Hence company's solvency status was pleasing after merger giving impression that company had better debt equity mix.
3) After merger the current ratio reduced in 2013 and reflected improved liquidity situation but quick ratio was again on higher side. Thus it can be said that there were chances of upgradation in liquidity management.
4) On an average the EPS of the company was reasonable enough. Again during post-merger also the company was not dispensing dividends and holding the whole incomes as reflected by dividend payout and earnings retention ratios. The company was very stern concerning dividend distribution.

CONCLUSION

After the analysis of various data, related to merger of RNRL and R-Power, it is clear that before merger the company's profitability, solvency, liquidity and dividend distribution position was not at satisfactory level. But merger of RNRL and R-Power turned out to be fruitful for R-Power. This decision helped R-Power to recover its profitability, solvency, liquidity and dividend distribution position. The profitability position of the company has positively increased in terms of net profit margin, ROCE and ROA and it declined in terms of gross profit margin and return on net worth. The financial performance of the firm improved after merger in terms of current ratio, debt equity ratio and EPS. Again this move facilitated R-Power accelerate its backward integration plans from a pure thermal power generation company to quickly venture into other value chains of energy business. The merger also made R-Power a domestic power company with one of the largest coal reserves.This allowed Reliance Power access products and services at competitive rates and helped create manufacturing and services jobs. Hence it is concluded that the merger proved advantageous for the surviving firm i.e. R-Power.

LIMITATIONS OF THE STUDY

Inspite of conscious efforts in doing this research work, certain limitations still remained. The present study was done under the following limitations:

1. Sufficient data could not be collected due to time constraints, resource constraints and personal reasons.
2. As this study was in a single hand, so it became difficult to get most relevant, reliable and confidential information required.
3. The study was mainly based on published financial information of annual reports which were based on some accounting policies, conventions etc. and thus could not be regarded as correct in all aspects.
4. The period of the study was from 2009 to 2013. Since merger took place in 2010, the period available for study before merger was only one year and post-merger was only three years.

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A STUDY ON THE OPERATIONAL RATIO OF THE DISTRICT CENTRAL COOPERATIVE BANKS IN TIRUNELVELI REGION, TAMILNADU

DR. A.MAHENDRAN
ASST. PROFESSOR
DEPARTMENT OF COOPERATIVES
AMBO UNIVERSITY
AMBO

TOLERA MERDASA
LECTURER
DEPARTMENT OF COOPERATIVES
AMBO UNIVERSITY
AMBO

ABSTRACT

In the modern world technology plays an important role in banking sector. Banking is one of the largest financial institutions constantly explores the opportunity of technology enabled services to provide better customer experience and convenience. DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. Inefficient functioning of cooperatives is due to bad debts, excessive overdue or otherwise investment. Therefore, the financial management occupies an importance place as the functions of these institutions. Hence, the analytical study on the Operational Ratio of District Central Cooperative Banks in Tirunelveli Region has been undertaken. The results of the study will help in identifying the lacuna if any in the financial performance of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.

KEYWORDS

operational ratio, central co-operative banks.

1.1 INTRODUCTION

Financial Statements' refer to a package of statements such as balance sheets, income statement, funds flow statement, cash flow statement and statement of retained earnings. The balance sheet and income statement are traditional financial statements. Other statements are prepared to supplement them. The following are the main objectives of finance statement analysis.

- To estimate the earning capacity of the concern
- To judge the financial (both liquidity and solvency) position and financial performance of the concern.
- To determine the debt capacity of the concern.
- To decide about the future prospects of the concern.

According to the American Institute of Certified Public Accounts (AICPA), "financial statements reflect a combination of recorded facts, accounting principles and personal judgments." The term recorded facts refers to the data taken out from accounting records. Facts which have not been recorded in the financial books are not depicted in financial, however important they might be. For example, fixed assets are shown at cost irrespective of their market or replacement price since only cost price is recorded in the books. Certain accounting principles, concepts and conventions are followed in the preparation of financial statements. For example, the convention of valuating stock at cost or market price, whichever is less is followed. The principle of valuating assets at cost less depreciation is followed for balance sheet purpose. Personal judgment has an important bearing on the financial statements. For example, the selection of a method for stock valuation depends on the personal judgment of the accountant.

1.2 STATEMENT OF THE PROBLEM

DCCBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. The success or otherwise of the cooperatives in a district level largely depends upon the efficiency of the functioning of DCCBs. The founders of the movement envisioned the role of DCCBs beyond the boundaries of mere financing bank. DCCBs are expected to serve as a financing bank for the primaries in a district, guide them in their day to day operations, supply of necessary manpower and technology wherever it is required, voicing on behalf of primaries at policy level etc,. Because of this integrated role, DCCBs are strategically located and integrated with the cooperative system.

Hence, they are not only acting as financing banks but also act as development banks for the cooperatives at district level. To do these multifarious functions DCCBs should have a well-defined management system. In the total management of the DCCBs, financial management occupies a place of importance as the functions of these institutions are also governed by the Banking Regulation Act. Even a minor deviation from banking norms would attract penal actions from the law enforcing authorities. On the one side, DCCBs are expected to act as a financing bank for the primaries, which are in majority of the cases managed by untrained work force. On the other side, DCCBs are expected to follow the banking norms as well as implement the State Governments schemes and programmes for the development of the state. Most DCCBs that fail seem to do so because of problems in their loan portfolio. Non-performing loans grow to such extent that revenues fall off and loan expenses as well as operating costs absorb all the earnings that remain. The bad loan situations usually arise from combination of factors. In this regard, it is pertinent to study how these banks mobilize the resources and deploy them. Hence funds management of the DCCBs is an important issue and their financial performance is to be studied with their impact on operational ratio in DCCBs. In this context, the questions apt to arise are:

- Whether the financial performances of the banks are in satisfactory manner in terms of operational ratio?
- To find out the answer to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problem, difficulties, impacts etc., and to frame financial policies by the DCCBs for the benefits of the farmers, the community and other stakeholders.

1.3 REVIEW OF LITERATURE

Several individual researchers had studied a few facets of operational ratio of selected DCCBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the related literature.

1.3.1 Gowthaman A. and Srinivasan T, (2010) in their article entitled, "Effective Funds Management by the Kumbakonam Central Cooperative Bank" has presented the DCCBs are modal centers of financial institution in the cooperative sector in a district. They have to mobilize the available resources and utilize them in the most efficient and profitable manner. As a consequence of this situation, efficiency in funds management has down considerably and profitability of the DCCBs in Tamilnadu is found decreased. In this paper an attempt is made to analyze the funds management of the bank for the period of 1998-99 to 2007-08.

1.3.2 Surya Rao K, (2007) in his study, "Performance of Cooperative Banking. A study of DCCB - Eluru, Andhra Pradesh", applied ratio such as profitability analysis, productivity analysis, solvency position, and operational efficiency and SWOT analysis. The study revealed through productivity analysis that the rate of deposits per employee has lagged behind that of the loans per employee ratio. Thus there is need on the

part of employees to mobilize deposit to meet loans demand in view of disparity in the growth rate in these two ratios. Accordingly the ratio values of deposits per employee, productivity of employees can be improved. The solvency ratios showed that the bank was maintaining an average cash reserve ratio of 11 per cent that is much more than the stipulated ratio of 6 per cent. The operational efficiency ratios concluded the satisfactory performance. Finally SWOT analysis revealed various aspects of the Eluru DCCBs. The study suggested strengthening of the working capital and to increase the deposit from member societies. The bank should utilize the opportunity of expanding their lending operations. Depending on external sources of borrowing such as refinance from apex bodies could be minimized by promoting deposits mobilization.

1.3.3 Fulbag Singh and Balwinder Singh, (2006) in their study "Profitability of the Central Cooperative Banks in Punjab- A decomposition Analysis", they analyzed the profitability position of the Central Cooperative Bank in Punjab. Two different years have been studied with the help of a frame work of Return on Equity (ROE) model. The sample of bank with high business volume and those with low business volume had been tested separately. The study could be concluded that as far as the profitability performance was concerned, the central Cooperative Bank of Punjab had worked well. The miscellaneous income in comparison to the total income has been in lower profile in these banks. The switching over to high yield non-farm sector advances has helped to register a positive trend in financial margin in almost all the banks. The implementation of prudential norms from 1996-97 have helped the banks to generate an awareness on adverse effect of overdue/ non-performing assets in these banks.

1.3.4 Raja. S, (2005) in his study, "Performance Evolution of MDDCB Ltd- an Application of Structural and Growth Analysis", analyzed the pattern of each component of the financial statements such as balance sheet and profit and loss account over a period of time. The study found out that performance of the Madurai District Central Cooperative Bank (MDCCB) using structural and growth analysis. Macro mean has been used to exhibit the strength and weakness of each factor considered. The major result of the study is macro mean which in respect of interest received constitutes 99% of the total income, 97% for interest paid, 21% in the case of operating expenses, 94% for spread and it is at 93% for burden. As regards book profit, it works out to be 7% the revolution of the growth rate analysis are that net loss has recorded the growth at 17%, operating expenses at 18%, spread at 13%, burden 20% advances and aggregate deposits at 6% each and fixed deposits and saving deposits at 9% each. The study concluded that the burden rate should be reduced by effecting cost control measure and spread rate be increased so that profitability can be at higher rate.

1.4 OBJECTIVES OF THE STUDY
The specific objectives of the present study are:
1. To analyze the operational ratio in the DCCBs, and
2. To offer suitable suggestions for the development of the DCCBs

1.5 METHODOLOGY
Mainly-analytical method has been followed for studying the operational ratio of Tirunelveli (TIDCCB), Virudhunagar (VIDCCB), Thuthukudi (TUDCCB) and Kanyakumari (KADCCB) District Central Cooperative Banks in Tirunelvel Region, Tamil Nadu. The secondary data were collected from the profit and loss account and balance sheet for the selected DCCBs. The macro level data were collected from the office of the Joint Registrar of Cooperative Audit in Tirunelveli region, Tamilnadu State Apex Cooperative Bank, Tamilnadu State Cooperative Unions, National Federation of State Cooperative Banks, NABARD and RBI.

1.6 SAMPLING
The present study has adopted the purposive sampling method for the selection of sample banks. Among the five cooperative regions (Chennai, Coimbatore, Trichy, Madurai and Tirunelveli) categorized by the Registrar of Cooperative Societies, Tirunelveli region was purposively selected. The considerations kept in mind were that the Tirunelveli region of Tamilnadu is popular for Agriculture, Fisheries, Dairy and Industrial growth. This region also covers plain and coastal areas with different cropping patterns. Four districts of this region were served by the four District Central Cooperative Banks namely Tiruneveli, Viruthunagar, Thoothukudi and Kanyakumari DCCBs. These four banks were selected for the present study.

1.7 SCOPE OF THE STUDY
A strong network of the District Central Cooperative Banks is a prerequisite for the sound performance of the three tier cooperative credit structure. DCCBs not only provided much needed financial assistance to PACBs but also ensured the smooth flow of credit to various sectors in the district. The success of these banks depends on efficient management of funds. The study has mainly focused attention to study the operational ratio of the four DCCBs in Tirunelveli Region. The results of this study will help in identifying the lacuna if any in the operational ratio of the DCCBs and to frame financial policies and programme to the benefit of the banks and the community.

1.8 PERIOD COVERED BY THE STUDY
The period of the study has been taken-up from the financial year 1998--99 to 2008-09 (11 years) as complete and comprehensive secondary data both for macro and micro level were available only for these years. The period of eleven years was considered for analysis.

1.9 TOOLS USED FOR DATA COLLECTION
For collecting the required secondary data from the selected DCCBs, a comprehensive schedule was prepared and used. The schedule was pre-tested and finalized.

1.10 FRAME WORK OF ANALYSIS
The data collected were subdued into a digestible account by appropriate coding, computing and tabulations. The basic tools of statistical analysis like average and operational ratio were employed.

1.11 RESULTS AND DISCUSSION
1.11.1 RATIO ANALYSIS
The relationship between two figures expressed mathematically is called a 'Ratio'. It is a numerical relationship between two numbers which are related in some manner. Ratio analysis is technique of analysis and interpretation of financial statements. It is the process of determination and interpretation of various ratios for helping in decision making. Ratio analysis involves three steps.

1.11.1 OPERATIONAL RATIO
The various operational ratios are worked out in relation to total income and are presented in the following paragraphs. The data on total (gross) income of the banks which is used for calculating the ratios. Interest paid to total income ratio reflects the outflow in the income of the banks, as the bank has to pay interest

on deposits and other borrowings. The more funds that are mobilized in the form of deposits and borrowings, the greater will be the amount of interest payments. Figures presented in the table under 'financial cost' represent the amount of interest paid by the banks.

1.11.2 RATIO OF INTEREST EARNED TO TOTAL INCOME

The first ratios indicate the interest earning capacity and income of the bank. The interest earning of the banks is given in above the table No. 5.9 under 'financial returns'. This ratio expresses the share of interest income in total earnings of the bank.

TABLE – 1.1: RATIO OF INTEREST EARNED TO TOTAL INCOME *(Percentage)*

Years \ Banks	TIDCCB	VIDCCB	TUDCCB	KADCCB	TOTAL
1998-99	98.4	97	73.5	96.5	93.4
1999-00	97.9	73.3	66.6	94.9	87.2
2000-01	97.9	82	49.7	90.7	81.5
2001-02	92.5	72.7	60.6	96.4	81.5
2002-03	97.4	94.7	65.3	96.1	88.7
2003-04	97.1	86	69.5	95.3	88.4
2004-05	97.3	34.4	55.1	93.8	61.4
2005-06	96.8	72.1	85.3	83.7	82.8
2006-07	83.6	96.3	73.7	86	85.6
2007-08	84.6	66.3	43.7	62.2	64.7
2008-09	91	96.8	79.9	97.1	92.4
Avg.	**112**	**79.2**	**65.7**	**90.2**	**82.5**

The ratio of interest earned to total income ranged between 93.4 and 61.4 percent during the study period; on an average ratio was 82.5 percent per annum. This implies that about 83 percent of the income was earned in the form of interest; being a banking organization it has to be like that only. Comparatively, the TIDCCB had highest ratio (112 percent) than the other three banks. The TUDCCB had lowest ratio (66 percent).

1.11.3 RATIO OF INTEREST PAID TO TOTAL INCOME

The ratio indicates the percentage of interest paid to total income by the banks.

TABLE -1.2: RATIO OF INTEREST PAID TO TOTAL INCOME *(Percentage)*

Years \ Banks	TIDCCB	VIDCCB	TUDCCB	KADCCB	TOTAL
1998-99	79.6	76.9	83.1	77.6	78.8
1999-00	80.4	64.0	85.5	77.6	72.1
2000-01	82.0	71.1	76.0	78.2	74.3
2001-02	76.2	57.6	73.1	79.9	70.4
2002-03	77.2	68.1	54.7	78.1	69.3
2003-04	76.4	67.6	61.8	61.9	67.0
2004-05	80.4	28.4	34.4	62.8	45.2
2005-06	77.0	49.3	48.4	59.6	58.0
2006-07	66.6	54.1	41.3	58.6	55.7
2007-08	72.3	65.5	54.5	75.2	57.6
2008-09	78.4	57.9	71.7	88.9	73.6
Avg.	**72.4**	**60.1**	**62.2**	**69.2**	**62.3**

The ratio of interest paid on total income varies between 45 and 79 during the study period; the ratio values averaged to 62.3 and thus imply that on an average the banks are spending 62 percent of their income for interest payments. The deposits and borrowings of the banks did not show considerable fall and the decline in interest payment is a welcome feature. Further, it may also be possible on account of reduction in the rates of borrowings.

1.11.4 RATIO OF TOTAL EXPENDITURE TO TOTAL INCOME

This is an important ratio that indicates the percentage of total expenditure incurred by the banks out of its total income

TABLE -1.3: RATIO OF TOTAL EXPENDITURE TO TOTAL INCOME *(Rs.in lakhs)*

Banks	TIDCCB		VIDCCB		TUDCCB		KADCCB		TOTAL	
Years	TE	R	TE	R	TE	R	TE	R	TE	R
1998-99	2356	101.9	2596	98.2	1261	90.4	2010	98.5	8223	98.0
1999-00	2602	150.1	3561	100.0	1879	100.0	2060	100.0	10103	109.4
2000-01	3535	147.8	3436	100.0	2802	143.9	2307	100.0	12080	119.8
2001-02	3080	110.7	4244	100.0	2730	133.0	3323	98.4	13377	107.4
2002-03	4182	158.5	3373	100.0	3403	131.0	2352	96.2	13311	120.4
2003-04	3043	112.9	3681	121.0	2206	109.1	3097	96.5	12028	109.6
2004-05	2107	98.4	2304	38.0	2643	94.4	2707	84.2	9762	68.7
2005-06	4170	190.3	3500	100.0	2318	134.3	3358	100.0	13346	123.9
2006-07	2727	126.2	2740	99.8	2273	110.7	3127	87.6	10867	103.2
2007-08	2924	340.2	2736	100.0	2633	131.8	4891	98.9	13183	125.1
2008-09	3182	100.0	3567	83.2	2464	94.6	3736	99.9	12948	93.72
Avg.	**3083**	**148.8**	**3249**	**94.6**	**2419**	**115.7**	**2997**	**96.4**	**11748**	**107.2**

TE- Total Expenditure, R- Ratio.

The above table depicts the ratio of total expenditure to total income had increased from 98 in 1998-99 to 125 in 2007-08 after it has decreased to 94. During the study period, the ratio value averaged to 107.2 and thus implies that an average of the banks earn less income when compared with the banks total expenses. Hence, the selected banks should minimize the overall costs to become profitable. Hence it is concluded that the performance of the banks in this respect is not satisfactory.

1.11.5 RATIO OF ESTABLISHMENT EXPENDITURE TO TOTAL EXPENDITURE

Establishment Expenditure includes the cost of management that is the salary and allowance to employees. This ratio helps to assess the percentages of establishment expenditure to total expenditure. Total expenditure of the banks is presented in the previous table. The optimum level is 9.

TABLE -1.4: RATIO OF ESTABLISHMENT EXPENDITURE TO TOTAL EXPENDITURE *(Rs.in lakhs)*

Banks / Years	TIDCCB		VIDCCB		TUDCCB		KADCCB		TOTAL	
	EE	R	EE	R	EE	R	EE	R	EE	R
1998-99	310	13.0	464	17.9	135	11.0	214	10.6	1123	13.7
1999-00	320	12.0	496	13.9	136	7.3	263	12.7	1215	12.0
2000-01	277	7.8	535	15.6	139	5.0	253	11.0	1204	10.0
2001-02	250	8.1	579	13.6	187	6.9	238	7.2	1254	9.4
2002-03	275	6.6	505	15.0	182	5.4	225	9.6	1187	8.9
2003-04	229	7.5	229	6.2	148	6.7	240	7.7	846	7.0
2004-05	240	11.0	240	10.4	157	5.9	235	8.7	873	8.9
2005-06	221	5.3	529	15.1	119	5.1	228	6.8	1096	8.2
2006-07	204	7.5	402	14.7	133	5.9	192	6.1	931	8.6
2007-08	217	7.4	527	19.3	147	5.6	216	4.4	1108	8.4
2008-09	221	7.0	415	11.6	141	5.7	248	6.6	1025	7.9
Avg.	**251**	**8.6**	**447**	**13.9**	**148**	**6.4**	**232**	**8.3**	**1078**	**9.4**

EE- Establishment Expenditure, R-Ratio

The establishment expenditure to total expenditure of the banks ranged between 7 percent and 13.7 percent during the study period. The average ratio reflected is 9.4 percent implying that out of the total expenditure incurred on establishment. Among the four banks, the VIDCCB had more amount spent for establishment expenditure; on an average of about 14 percent of the total expenditure per annum. The TIDCCB had spent lowest amount of total expenditure i.e., 6.4 percent per annum. Hence the overall performance in this respect is satisfactory.

1.11.6 RATIO OF INTEREST PAID ON BORROWED FUNDS

Another important ratio is used to analyze the cost of deposits and borrowings which show the ability of the banks to have a reasonable cost of deposit and borrowings. Deposits and borrowings are presented earlier in the table 4.7 and 4.8. The interest paid is also given in the above table. The following table depicts the ratio of interest paid on borrowed funds. The optimum level is 11.

TABLE -1.5: RATIO OF INTEREST PAID TO BORROWED FUNDS *(Rs.in lakhs)*

Banks / Years	TIDCCB		VIDCCB		TUDCCB		KADCCB		TOTAL	
	BF	R	BF	R	BF	R	BF	R	BF	R
1998-99	16945	11	19094	10.6	12007	9.6	14125	11.2	62171	10.6
1999-00	21721	8.6	22171	10.3	13985	11.5	16435	9.7	74312	9.9
2000-01	20981	9.3	21238	11.5	13692	10.8	16437	15.4	72348	11.6
2001-02	22321	9.5	24593	9.9	14995	10.0	18040	15.0	79949	11.0
2002-03	23522	8.7	26493	8.7	16439	8.6	20250	9.4	86704	8.8
2003-04	23736	8.7	26524	7.8	14637	8.5	24716	8.0	89613	8.2
2004-05	23687	7.3	25414	6.8	13831	6.9	25374	8.0	88306	7.3
2005-06	23217	7.3	26044	6.6	13787	6.1	27496	7.3	90545	6.9
2006-07	23001	6.3	25388	5.8	14008	6.1	24279	8.6	86676	6.8
2007-08	26010	6.8	28060	6.4	15660	6.9	27505	13.5	97234	8.6
2008-09	30646	8.1	33047	7.5	19859	9.4	31047	10.7	114600	8.9
Avg.	**1908**	**8.3**	**2070**	**8.4**	**1274**	**8.6**	**2315**	**10.6**	**7566**	**8.9**

BF- Borrowed Fund; R- Ratio

The cost of deposits and borrowings had decreased from 11 in 1998-99 to 8.9 in 2008-09. The average of the banks was 9 during the study period. The cost of deposits and borrowings are comparatively high with KADCCB. The borrowing rates more or less remaining the same, it increase the cost in the above banks may be due to high cost deposits. The overall performance shows a satisfactory performance of the banks under this analysis.

FINDINGS

The present study, "A study on the operational ratio of the DCCBs in Tirunelveli Region, Tamilnadu State" is an analytical one. The study was conducted in Tirunelveli Region, Tamilnadu state. Among the five Cooperative Regions in Tamilnadu, Tirunelveli Region covering four DCCBs was selected and secondary data were used for the analysis. A decadal period was covered by this (1998-99 to 2008-09). Statistical tools of statistical like average and ratio were used for analysis. The major findings and conclusion are presented in the following paragraphs.

Operational Ratios

Interest Earned to Total Income

The ratio of interest earned to total income between 93.4 and 92.4 during the study period; on an average ratio was 83.4 percent per annum. This implies that about 83 percent of the income was earned in the form of interest being a banking organization it has to be like that only. Comparatively, the TIDCCB had highest ratio (112 percent) than the other three banks. The TUDCCB had lowest ratio (66 percent).

Interest Paid to Total Income

The ratio of interest paid on total income varies between 45 and 83 during the study period; the ratio values averaged to 69 and thus imply that on an average the banks are spending 69 percent of their income for interest payments. The deposits and borrowings of the banks did not show considerable fall and the decline in interest payment is a welcome feature. Further, it may also be possible on account of reduction in the rates of borrowings.

Ratio of Total Expenditure to Total Income

The ratio of total expenditure to total income had increased from 98 in 1998-99 to 125 in 2007-08 after it has decreased to 94. During the study period, the ratio value averaged to 107.2 and thus implies that an average of the banks earn less income when compared with the banks total expenses. Hence, the selected banks should minimize the overall costs to become profitable. Though, the TIDCCB and TUDCCB had performed satisfactory in this respect, the overall performance of the region is not satisfactory.

Establishment Expenditure to Total Expenditure

The establishment expenditure to total expenditure of the banks ranged between 7 percent and 13.7 percent during the study period. The average ratio reflected is 9.4 percent implying that out of the total expenditure incurred on establishment. Among the four banks, the VIDCCB had more amount spent for establishment expenditure; on an average of about 14 percent of the total expenditure per annum. The TIDCCB had spent lowest amount of total expenditure i.e., 6.4 percent per annum. Hence the overall performance in this respect is satisfactory.

Ratio of Interest Paid to Borrowed Funds

Ratio of interest paid to borrowed funds had decreased from 11 percent in 1998-99 to 8.9 percent in 2008-09. The average of the banks was 9 during the study period. The cost of deposits and borrowings are comparatively high with KADCCB. The borrowing rates more or less remaining the same, it increase the cost in the above banks may be due to high cost deposits. The overall performance shows a satisfactory performance of the banks under this analysis.

TABLE 1.6: OPERATIONAL RATIO RESULT

S. No	Name of the Ratios	TIDCCB		VIDCCB		TUDCCB		KADCCB	
		S	NS	S	NS	S	NS	S	NS
	WORKING FUND RATIO								
1	Interest Earned to Total Income	S	-	S	-	-	NS	S	-
2	Interest Paid to Total Income	-	NS	S	-	S	-	-	NS
3	Total expenditure to Total Income	-	NS	S	-	-	NS	S	-
4	Establishment Expenditure to Total Expenditure	-	NS	S	-	-	NS	-	NS
5	Interest Paid to Borrowed funds	S	-	S	-	S	-	S	-
	Total	**2**	**3**	**5**	**0**	**2**	**3**	**3**	**2**

S: Satisfactory, NS: Not Satisfactory

1.13 CONCLUSION

Invariably in all the selected DCCBs of this study conducted in the Trirunelveli Region of the Tamilnadu State TIDCCB and TUDCCB was not satisfactory and VIDCCB AND KADCCB was satisfactory were found especially with reference to position in operational ratio. The 'KRA's (Key Result Areas) with reference to operational ratio was not upto the mark.

1.14 SUGGESTIONS

Operational ratios are indicators of income and expenditure pattern of bank ratio establishment expenditure to total expenditure and establishment to non-interest income (commission) of the bank. It is a generally agreed norm that and selected DCCBs should meet their total establishment expenditure out of non-interest income for this purpose the bank has to introduce as many fee based products as possible in the bank like bank guarantees, letter of credit etc… also the should judicially start charging for technology based products like ATM, NEFT, RTGS and Internet Banking facilities.

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A COMPARATIVE STUDY OF EMPLOYMENT PARTICIPATION IN PUBLIC AND PRIVATE SECTOR IN INDIA

FASALURAHMAN.P.K.PATTERKADAVAN
ASST. PROFESSOR
DEPARTMENT OF ECONOMICS
CENTRAL UNIVERSITY OF KASHMIR
SONWAR

MOHAMMED SALIM.P.K
RESEARCH SCHOLAR IN ECONOMICS
GANDHIGRAM RURAL INSTITUTE-DEEMED UNIVERSITY
GANDHIGRAM

ABSTRACT

This article is an attempt to study about Indian corporate sector and their role in Indian economic development especially in employment participation. The study is based on the secondary data of public sector and corporate sector, especially secondary data of employment participation rate and its trend. Other sources like economic review report, planning commission appraisal report, RBI publication etc also used. The study is based on almost 10 years secondary data from 1990 to 2011. The main objectives of the study are: i) to find out the employment participation in public and corporate sector ii) to compare male and female employment participation in corporate sector and public sector iii) to analyse the employment participation in industrial sector iv) and to find out increasing role of private sector in employment generation and economic development. The study reveals that from 1995 to 2005 the employment participation had been decreasing. While in 2006 it remarked a small increase, then again there had been fluctuation in employment participation and reached at a lower level. The highest employment participation was in 1995 and lower participation rate was in the year 2011.The overall tendency shows that the employment participation in public industrial sector had been declining. On the other hand, in corporate sector from 1995 to 2000 the employment participation rate shows an Increasing trend. But 2003 onwards until 2004 it had been decreasing. While 2004 onwards it remarked a large increasing tendency and reached at highest point 114 in 2011. Finally the study reveals that female work participation in industry is much lower while compare with male in all the years but both male and female work participation in industry is growing in India from 1995 to 2011.

KEYWORDS

Work force. Corporate sector, public sector, Employment participation, and Economic development.

INTRODUCTION

India started her quest for industrial development after independence in 1947. At the end of 2009, the Indian economy was growing at 7% a year. The strongest growth was coming from the manufacturing and construction sector and the weakest section was agriculture. Post-independence the country went into a fast paced economic growth which was further fuelled by the free market principles started in the 1990's which welcomed foreign investments. The economy of India is the ninth-largest in the world by nominal GDP and the third-largest by purchasing power parity (PPP). The country is one of the G-20 major economies and a member of BRICS. On a per-capita-income basis, India ranked 141st by nominal GDP and 130th by GDP (PPP) in 2012, according to the IMF. India is the 19th-largest exporter and the 10th-largest importer in the world. Economic growth rate slowed to around 5.0% for the 2012–13 fiscal year compared with 6.2% in the previous fiscal. It is to be noted that India's GDP grew by an astounding 9.3% in 2010–11. Thus, the growth rate has nearly halved in just three years. GDP growth went up marginally to 4.8% during the quarter through March 2013, from about 4.7% in the previous quarter. The government has forecasted a growth of 6.1%-6.7% for the year 2013-14, whilst the RBI expects the same to be at 5.7%. Industry accounts for 28% of the GDP and employs 14% of the total workforce. India is 11th in the world in terms of nominal factory output according data is compiled through CIA World Fact book figures. The Indian industrial sector underwent significant changes as a result of the economic liberalisation in India economic reforms of 1991, which removed import restrictions, brought in foreign competition, led to privatization of certain public sector industries, liberalised the FDI regime, improved infrastructure and led to an expansion in the production of fast moving consumer goods. Post-liberalisation, the Indian private sector was faced with increasing domestic as well as foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, and relying on cheap labor and new technology. However, this has also reduced employment generation even by smaller manufacturers who earlier relied on relatively labour-intensive processes.

Four key industrial economic sectors are identified in India. The primary sector, largely extract raw material and they are mining and farming industries. In the secondary sector, refining, construction, and manufacturing are included. The tertiary sector deals with services and distribution of manufactured goods. India's service industry accounts for 57.2% of the country's GDP while the industrial and agricultural sector contribute 28% and 14.6% respectively. Agriculture is the predominant occupation in India, accounting for about 52% of direct and indirect employment. The service sector makes up a further 34%, and industrial sector around 14%. The labor force totals around half a billion workers. Industry accounts for 28% of the GDP and employ 14% of the total workforce.

Economic reforms brought foreign competition in the industrial scenario, led to privatization of certain public sector industries, opened up sectors hitherto reserved for the public sector and led to an expansion in the production of fast-moving consumer goods. Textile industry is the second largest source for employment after agriculture and accounts for 26% of manufacturing output. Information technology is one among the fastest growing sector contributing to one third of the total output of services. The growth in the IT sector is attributed to increased specialization, and an availability of a large pool of low cost, highly skilled, educated and fluent English-speaking workers around the country. Cities like Bangalore, Hyderabad and Pune have established themselves as major IT hubs in the country.

PRIVATE SECTOR IN INDIAN ECONOMY

The private sector of Indian economy is the past few years have delineated significant development in terms of investment and in terms of its share in the gross domestic product. The key areas in private sector of Indian economy that have surpassed the public sector are transport, financial services etc.

Indian government has considered plans to take concrete steps to bring affect poverty alleviation through the creation of more job opportunities in the private sector of Indian economy, increase in the number of financial institutions in the private sector, to provide loans for purchase of houses, equipment, education, and for infrastructural development also. The private sector of Indian economy is recently showing its inclination to serve the society through women empowerment programs, aiding the people affected by natural calamities, extending help to the street children and so on. The government of India is being assisted by a number of agencies to identify the areas that are blocking the entry of the private sector of Indian economy in the arena of infrastructural development, like regulatory policies, legal procedures etc.

The most interesting fact about the private sector of India economy is that though the overall pace of its development is comparatively slower than the public sector, still the investment of private sector in the recent past, i.e. in the first quarter of 1990 registered approximately 56 % which rose to nearly 71 % in the next quarter, accounting for an increase of 15 %. Certain steps taken by the Indian government are acting as the stepping stone of the private sector continued journey to success, include industrial relicensing, devaluation that was implemented previously.

The private sector of Indian economy is also adversely affected by the huge number of permits and enormous time required for the processing of documents to initiate a firm; however the central government has decided to abolish MRTP Act and incorporate a Competition Commission of India to bring the public sector and the private sector at the same platform.

The participation of the private sector of Indian economy is desired by the government of India for infrastructural development including specific sectors like power, development of highways and so on .The contribution of public sector in these sectors have been arrested due to the shift of the attention of the Indian government to issues like population increase, industrial growth.

1.2 MAJOR PRIVATE COMPANIES OF INDIA

With an Annual GDP growth rate of 7-8 percent India is the one of the fastest growing economies in the world. This stable annual GDP growth rate that India is witnessing is mostly due to the rise of the major private sector companies in the country.

Private sector companies play a very important role in the Indian economy. Over the last 15 years or so the major Private companies in India have contributed more than significantly to the growth of the Indian economy. After the liberalization policies in the 1990's India started receiving huge amounts of foreign direct investment (FDI) which was one of the most important reasons behind the success of the private companies in the country. Prior to this the Indian economy was ruled mostly by the public sector enterprises which were known for their strict rules and regulations and bureaucratization.

The liberalization policies proved to be a boon for the Indian economy. The economy witnessed huge amounts of foreign funds and along with it came in cutting edge technology and new ideas which started changing the functioning of India business. Slowly and steadily more and more private sector companies started coming up and establishing themselves in this part of the globe.

Since the 1990's most of the Foreign Direct Investment that India received was in favor of the private sector. The total amount of investment increased from 56 percent in the first five years of the decade to almost 71 percent in the other five years of 1990. This became the investment trend and is continuing till today. Investments in private sector generally cover sectors like transport, manufacturing, infrastructure, financial services, social services, agriculture, telecommunication and Information technology. However the present investment trends show that sectors like pharmaceutical, contract research semiconductor, biotechnology and product research and development are also gaining immense importance.

The Major Private companies of India prioritized customer's need and speedy service, which further fueled competition amongst same industry players. This healthy competition has benefited the end consumers, since the cost of service or products has come down substantially. B grade companies are also offering lucrative and competitively priced products or service, whose quality is at par with 'A' grade companies.

Over the last few years the country has witnessed a sea change in its economy and this is mostly due to some of the finest private sector BPOs, software companies, private banks and financial companies. India's manufacturing sector is also flooded with a number of private Indian companies that dominate the Indian industry and have also made a mark in the global forefront. The manufacturing companies in the country encompass sectors such as chemicals, textiles, petrochemical products, automobile, agric-foods, telecommunication equipment, and computer hardware.

LIST OF SOME OF THE TOP PRIVATE COMPANIES OF INDIA ARE

- Reliance Industries Limited
- Tata Consultancy Services (TCS)
- Infosys Technologies Ltd
- Wipro Limited
- Bharti Tele-Ventures Limited
- ITC Limited
- Hindustan Lever Limited
- ICICI Bank Limited
- Housing Development Finance Corp. Ltd.
- TATA Steel Limited
- Ranbaxy Laboratories Limited
- HDFC Bank Ltd
- Tata Motors Limited
- Larsen & Toubro Limited (L&T)
- Satyam Computer Services Ltd.
- MarutiUdyog Limited
- Bajaj Auto Ltd.
- HCL Technologies Ltd.
- Hero Honda Motors Limited
- Hindalco Industries Ltd

1.3 INDIAN BILLIONAIRES

One of the most striking features of India's growth since the 1990s has been the sharp rise in extreme wealth. Since the early 1990s, the number and wealth of India's billionaires has risen dramatically, in relation to India's own growth and in relation to other countries. India is now an outlier with respect to the size of billionaire wealth relative to the size of her economy, especially for a relatively poor country. There were two billionaires in India in the mid-1990s, worth a combined total of $3.2 billion. By 2012, there were 46, with a total net worth of $176.3 billion. Mukesh Ambani (Reliance Industries) with a net worth of $22.3 billion was the richest individual in India for the sixth year in a row. Two billionaires, Azim Premji (Wipro) and Savitri Jindal and family (Jindal Steel) had wealth over $10 billion, eight had wealth between $5 billion and $10 billion and the rest had less than $5 billion. Total billionaire wealth to gross domestic product (GDP) provides a proxy. This ratio rose from around 1% in the mid-1990s to 22% at the peak of the boom in 2008, and was still 10% of GDP in 2012, reflecting both new entrants and increased wealth of existing billionaires.

INHERITED AND SELF-MADE WEALTH

There is a positive association between growth and self-made billionaire wealth, but a negative one with inherited wealth. While no causality can be inferred, this is aligned with the view that self-made wealth is more likely to be associated with aggregate economic dynamism.

While the largest number of Indian billionaires is "self-made", some 40% of total billionaire wealth is in the "inherited and growing" category, including, for example, Mukesh and Anil Ambani.

The billionaire list: 28 of the 46 billionaires in 2012 are from traditional merchant classes like Banias (including Marwaris), Parsis and Sindhis. A number belong to upper caste communities, including Brahmins (Mallya, Murthy) and Khatris (Thapar, Munjal, Mahindra). A smaller group comes from other backward and lower castes such as Nadar, Jat and Reddy. There is one Muslim and no dalit.

All of India's billionaires are linked to corporate activity. There is an array of sectoral sources, including mining, energy, petrochemicals, pharmaceuticals, information technology, construction, real estate and finance. This allows us to explore whether wealth had its origins in domains with extensive "economic rents" and links with government.

By economic rent we mean a return to a factor of production in excess of what could be obtained from an alternative use in a fully competitive activity. Economic rents often flow from monopolistic economic power or from the need to get licenses from government. Natural resources, land, and the spectrum have intrinsic economic rents, and typically high levels of state control, as do a range of activities involving government contracts.

OBJECTIVES OF THE STUDY

- To find out the employment participation in corporate sector.
- To compare employment participation in both public and private sector.
- To find out the growth rate of public and corporate sector.
- To analyse the recent growing importance of corporate sector in Indian economy.

DATA AND METHODOLOGY

The study is based on the secondary data of private industries and corporate sector, especially secondary data of employment participation rate and growth rate. The study is based on 10 years secondary data.

REVIW OF LITERATURE

A.K Srivasthava and Krishna (1992) have studied **employees' job involvement and mental health in public and private sector**. The studies have been conducted to compare the job attitudes and overall job behavior of their employees. They found that the employees in public and private organizations differed in terms of their expectations, performance patterns, feeling towards their job and organization and satisfaction. In her study Krishna (1988) found significant differences in attributions of the employees of the two types of organization. The study found that employee's involvement in their jobs and their overall psychological wellbeing are likely to be affected by the environment and climate of the organizations they belong to. A good number of studies have concluded positive relationship between perceived congenial organizational climate and job involvement. The study was conducted on a sample of 900 employees operating in some public and private sector manufacturing organizations are comparatively less involved in their jobs and maintain comparatively poor mental health.

H.C Ganguli (1970) researched **Indian industrial psychology**. The author in this paper traces the growth of research in industrial psychology during the year 1920-1967.He based his analysis on the 156 research publications in the subject in 43 standard psychology journals in India and abroad. The author has attempted to give an adequate understanding of the research effort in industrial psychology by tracing the development of teaching of psychology at Indian universities and the total quantum of research effort in psychology which comprises 1959 publications.

MadhavGodbole (2002) commented **Corporate Governance: Myth and Reality**. The corporate world in a number of countries has become unrecognizable. He noted that the major deferent between the Corporate and the Government Sector. Indian Corporate sector chants the new 'mantra' of economic liberalization and globalization. The studies on this subject in India are comparatively of recent origin and include the report of the task force of the confederation of Indian Industry (C11) in April1197, committee of the Securities and Exchange Board of India (SEBI) in 1991, advisory group of RBI consultative group of directors of banks or financial institutions in April 2002.

Addington Cappin and Reed Neil Olsen (2007) studied the topic "**Public vs. Private Sector earnings deferential in the Caribbean: Evidence from the economy of Trinidad and Tobago**". The authors used 1993 data from the Trinidad and Tobago continuous sample survey of the population to investigate patterns of remuneration across its public and private sectors. Unlike results from developed countries, the large earnings premium to public sector workers in Trinidad and Tobago appears to be explained more so by differences in levels of these characteristics. Large public sector earnings premium is also more likely to benefit the most disadvantaged workers in the economy, Africans and Women's, these were the major findings.

John Zechariah (1991) has studied **comparative industrial relations in Japan and India**. The paper postulates that Japanese industrial relations system has been crucial in the evolution and actual performance of the Japanese economy. It then attempts a comparison between the Japanese and Indian Industrial relations model. They found that the workers can pick up threads from its Japanese counterpart in terms of their loyalty and commitment. The Japanese have been making adjustments in their employment patterns and the government of India can take a leaf from such adjustments and not remain extremely rigid in terms of employment of workers. The author concluded that are union management relations are stained in India, Indian concept of employment and wage are close to the western concept and the Indian government is extra cautious about unemployment problem.

Mira Kamdar (2008) studied differently the topic "**India: Richer, Poorer, Hotter, And Armed**". India's economic growth over the past two decades has led to some dazing predictions of its future global eminence. His study accelerated India's growth forecast, setting the growth when the south Asian giant would surpass the economy of the United States at 2043.She predicted the next 25 years, and hundreds of millions of Indians will be displaced by rapid urban, industrial and agricultural development. She concluded that in 2033, India will be a member of the G-7, which by then may be a G-27and also India will help broker an international trade and economic regime that is equitable and environmentally sustainable.

J.Dennis & Rajkumar (2011) studied **the growth of private corporate sector in India**. He used information from the national account statistics and annual survey of industries. He studied five year plans of private sector and role of corporate sector in Indian economy. The findings of this paper show a rise in the size and growth of private sector relative to the public and house hold sector. He draws attention to two major disquieting trends. One is the household sector in has not made significant Strides, with its size remaining steadily stubborn and growth rates being lower than both over all GDP and manufacturing GDP. And second one is the falling share of compensation to workers and employers in corporate income needs to be addressed as this does not augur well in the context of equitable distribution of the benefits of growth.

N.Lalitha (1995) studied **public issues by private corporate sector**. The author studies a detailed account of the status of stock market in India and the policies of government of India that have had a bearing on a public issues of securities during the 1980's and early 1990s.She argues that there is a need for financial innovations in terms of new instruments to promote the equity cult which will help mobilize funds from rural and semi urban areas that have not yet been tapped adequately. The analysis is based on information drawn from the prospects of public issues of firm that have entered capital market. This paper focuses on the status of the stock market in India over the past decade and public issues of the private corporate sector in 1988.

N.Shanta (1999) studied **growth and significance of the private corporate sector**. In this study private corporate sector is defined to include public and private limited companies. The main sources of data are the studies of the Reserve Bank of India on the finances of joint stock companies, National Account Statistics and Central Statistical Organization. She used the method of approximating successive sample data to the census. She concluded that the significance of the private corporate sector in the economy is rising.

Jaideep Anand and HarbirSingh (1997) have studied **Asset Redeployment, Acquisitions and Corporate Strategy in Declining Industries**. There are two important reasons for studying declining industries. First, due to the nature and magnitude of the changes in the global economy during the last two decades, an ever greater number of sectors are going through rapid growth or rapid decline. This analysis is based on comparisons between two strategic responses to industry decline. The first strategy involves firm diversification out of declining industries in an attempt to leverage capabilities to serve alternative markets. They also studied been empirical work that examines differences in performance between diversified firms. They identified the 10 most defense-dependent industries at the 4-digit SIC level by identifying the ratio of sales made to defense agencies to the total industry sales. This was calculated from the annual figures obtained from the Department of Defense. We then collected data on firms and acquisitions in these industries. The total number of such acquisitions was 408, but missing data reduced it to 289.And also they used two classifications to distinguish between diversification-oriented and consolidation-oriented acquisitions. The authors supported the abnormal stock market returns as well as by the trends in post-acquisition operating performance. There are several reasons for some differences between the results from these two measures. Some firms may have acquired very rapidly growing and profitable businesses.

Mamta Panda (2004) discussed the topic **Industrial Relations Environment and Work Culture in Public and Private Sector Organizations**. She studied relationship between the industrial relations environment and work culture in a private and a public sector organization belonging to the same industry. The study involves one public sector and one private sector organization belonging to the same industry and located in the same cultural region in India. The study based on primary data, were collected through questionnaires, observations as well as in-depth personal interviews of a cross-section of management, union and workers representatives. The findings of the study were industrial relations system is largely governed by legal and administrative framework, in both the organizations.

Swati Mehta (2011) commented **Economic Reforms, Technological Intensity and Industrial Development in India**. The analysis is based on data from 60 industries from 1980-81 to 2005-06 drawn from the electronic database of the EPW Research Foundation (EPWRF) .The analysis shows a slower trend growth rate of value added in the post-reform period. The study finds some positive signs of a structural shift within the manufacturing sector; the changes are too small to have any significant impact. And various factors are actually hampering the industrial growth in India like the lack of infrastructure, technology, and skilled labour force. She concluded that for sustainable growth, a correct mix of market and government should be formulated for each industry, especially for the high technology industries.

Surinder S. Jodhka (2008) researched the topic **Cast and the Corporate Sector**. Over the last two or three decades there has been a considerable change in culture of the Indian corporate sector. The big companies are no longer run by members of the family. The study analyzed that modern and developed India should indeed be a society free of caste. The available official data clearly shows that a large majority of Dalit continue to be landless and asset-less. He concluded that to overcome this prejudice and the resultant discriminatory practice that the corporate sector needs to recognize caste. Denying the presence of caste would only work to shield the status-quo.

EMPLOYMENT PARTICIPATION IN CORPORATE SECTOR

EMPLOYMENT

Employment is an agreement between an employer and an employee that the employee will provide certain services on the job, and in the employer's designated workplace, to facilitate the accomplishment of the employer organization's goals and mission, in return for compensation.

TYPES OF EMPLOYMENT

There are a number of ways in which people can come to work in the Institutions. Below is a description of the different categories of staff who can work in the economy.

- **Full-time permanent work** is regular and ongoing work of between 35 to 45 hours (full-time employees are paid a weekly wage and yearly salary) which includes non-wage entitlements and benefits like paid holiday leave, sick leave and long-service leave.
- **Part-time permanent work** is regular and ongoing, involves fewer hours than full-time work and usually set days or set hours. Non-wage benefits and entitlements (sick leave, annual leave and holiday pay) are received by part-time employees on a pro-rata (proportional) basis. Sick leave is based on the hours worked over two weeks and annual leave on hours worked over four weeks. There has been an increase in job sharing, which is when two people agree to divide a full-time job into two part-time jobs.
- **Casual work** is ongoing and involves irregular hours and hourly pay. Casual workers often work on an 'as needs' basis, meaning you work when you are required; if you don't work you don't get paid. There are no non-wage entitlements in casual work (no holiday pay, sick leave and annual leave), as those entitlements are factored into 20 per cent of the higher hourly rate that casuals receive. Casuals usually receive hourly rates of pay based on a minimum 15% loading of normal or applicable hourly rates of pay. This is to compensate casuals for the unpredictability of their work and their lack of non-wage entitlements.
- **Self-employed workers** are also known as independent contractors or sub-contractors. These people work for themselves, so they control the hours and amount of work they do. Many trades people, for example, are self-employed or are sub-contracted by businesses like real estate agents. There are certain taxation benefits for self-employed workers to compensate for the risks of not finding work. Self-employed workers are reliant on the availability of work in their particular field.
- **Fixed term employment** (also known as contract work) is used for single projects or to replace workers on leave. It is common for fixed term employees to not receive entitlements like paid sick leave.
- **Commission-based employment** is pay based on reaching sales targets. A commission is usually a percentage rate of pay per item sold. A 'commission and retainer' employment includes a base pay rate plus commissions, which work like bonuses.
- **Apprenticeships and traineeships** are fixed term employments (usually three to five years) for the purpose of employment training. Apprentices typically learn a trade, such as plumbing, and trainees typically learn non-trades occupations, such as secretarial work. Apprentices and trainees usually perform work duties on-site and learn about the job off-site as well. A specified base rate of pay is given to cover the employment period, which works like a study-based payment.
- **Probationary employment** is a standard requirement for employees commencing full-time or part-time work. It involves an initial period of employment, usually one to six months, where employers assess whether an employee is capable of fulfilling the requirements of a job. If this is the case, employment is usually then confirmed permanent part-time or permanent full-time.
- **Piece work** is employment where a person receives payment for a certain number of items, for example five boxes of fruit for a fruit picker or a measured amount of a commodity, for example 100 kilo of sand.
- **Voluntary work** is unpaid work. Many charities (non-profit organizations) rely on voluntary workers, because their main purpose is to provide free services to the community, for example Meals on Wheels for the aged population. People work voluntarily for a number of reasons including to use free time productively, to develop skills, to help the community or to contribute to fundraising.

LABOUR FORCE PARTICIPATION IN INDIA

Labour is a primary factor of production. It is considered to be more important because it is not only productive but also it activates other factors and makes them useful for production purposes. Therefore the size of labour force in a country is of crucial importance for the level of economic activity. Size of labour force in a country is determined by the number of people in the age group 15-59 as generally children below 15 years and old people above 59 years do not participate in productive activity. Further, all persons in the age group 15-59 do not undertake productive labour. Such people who voluntarily keep themselves out of productive activity are not included in the labour force .Hence; the size of labour force depends on all economically active population including the unemployed.

- **Employment participation of both male and female in Public industrial sector**

The public sector is that portion of society controlled by national, state or provincial, and local governments. Public sector has played an important role in the industrial development of India. Before independence there were a few public sector enterprises in India such as Railways, the Posts and Telegraphs, the Port Trusts, the Ordinance Factories, and All India Radio etc. In the early years of independence, capital was scarce and the entrepreneurial resource was not strong enough. Therefore, the 1956 Industrial Policy Resolution gave primacy to the role of the State which was directly responsible for industrial development. The public sector provided the required thrust to the economy and developed and nurtured the human resources. During this era public sector enterprises came to be known as the commanding heights of the Indian economy.

TABLE 1: EMPLOYMENT PARTICIPATION IN PUBLIC INDUSTRIAL SECTOR

Year	Male	Female	Total
1995	168.66	26	194.66
2000	164.57	28.57	193.14
2003	156.75	29.05	185.8
2004	153.07	28.9	181.97
2005	150.86	29.21	180.07
2006	151.85	30.03	181.88
2007	149.84	30.18	180.02
2008	146.34	30.4	176.74
2009	147.04	30.91	177.95
2010	146.66	31.96	178.62
2011	143.77	31.71	175.48

Source: Economic Survey 2012-13

The table 1 shows employment participation in public industrial sector in male and female. From 1995 to 2005 the employment participation had been decreasing. While in 2006 it remarked a small increase, then again there had been fluctuation in employment participation and reached at a lower level. In the Table highest employment participation was in 1995 and lower participation rate was in the year 2011.The overall tendency shows that the employment participation in public industrial sector had been declining.

In the case of male participation rate, the data shows that up to 2005 the employment participation rate had been decreasing. While in 2006 it remarked a miner rise, then again until 2008 it had been decreasing. In 2009 also, it gained a small raise, again decreasing. So there is fluctuation in the employment participation rate. The overall analysis shows that there had been decreasing tendency among male participation. The highest level of male participation was under table in the year 1995 and the lowest was 2011.

Among female participation rate, even though there was a small fluctuation in the participation rate, there was an increasing trend. The lowest female participation rate was in the year 1995, while the male employment participation was higher in the same year. The data shows the highest employment participation was in 2010.

The analysis tells that there was an inequality between male and female employment participation rate. The male participation rate was five times higher than female participation rate. However the rate of participation for male had shown decreasing, at the same time female participation rate was increasing.

- **EMPLOYMENT PARTICIPATION IN CORPORATE SECTOR**

In the post-Independence period, almost the entire production and trade was in the domain of private sector. India opted for a mixed economy. In a mixed economy both private and public sector coexist. The respective spheres of private and public sectors are well defined and the two sectors function in a manner that is conducive to the achievement of overall development of the national economy. The private sector is subject to various regulations/laws so that sub serves the social and economic objectives of economic planning for development. The private sector refers to all types of individual and corporate enterprises, domestic and foreign, in any field of productive activity with the intention of making a profit. The characteristic of, the private sector enterprises is that their ownership and management lies in private hands. The private sector consisted largely of small enterprises with ownership and control vested in a single individual or a group of individuals in each enterprise.

The importance of the private sector in the Indian economy can be assessed in terms of its contribution to national income and employment. A major segment of the organized private sector is the corporate sector.A basic difference between the government and the private sector is the profitability motive. Whether it's hiring people, establishing branches or spending money generally, the bottom-line justification in the private sector is increased profitability. With government, the bottom-line consideration is whether increased spending will bring about increased or better services for the population and for the defense of the country. The private sector strives to do more with less while the government often seeks to do more with more. Job creation is one of the key drivers of economic growth as is private consumption. They go hand-in-hand. Consumer spending accounts for more than two-thirds of our economic activity and the private sector develops and nurtures the majority of a country's consumers through job creation and entrepreneurship.

TABLE 2: EMPLOYMENT PARTICIPATION IN CORPORATE SECTOR

Year	Male	Female	Total
1995	64.31	16.28	80.59
2000	65.8	20.66	86.46
2003	63.57	20.64	84.21
2004	62.02	20.44	82.46
2005	63.57	20.95	84.52
2006	66.87	21.18	88.05
2007	69.8	22.94	92.74
2008	74.03	24.72	98.75
2009	78.88	24.98	103.86
2010	81.83	26.63	108.46
2011	86.69	27.83	114.52

Source: Economic Survey 2012-13

The Table 2 shows that there was an increasing trend in employment participation in corporate sector. From 1995 to 2000 the employment participation rate shows an Increasing trend. But 2003 onwards until 2004 it had been decreasing. While 2004 onwards it remarked a large increasing tendency and reached at highest point 114 in 2011.Another finding under this data shows that up to 2008, the employment participation was below 100.There after by 2009 it covered 100.

In the case of male employment participation in corporate sector, there had been fluctuation between 1995 and 2003.While 2004 onwards the male participation had been increasing, reached at highest level 86.69.The poor performance in employment participation was in 2004.However the overall picture of the table exhibits that the male participation in the corporate sector was raising.

Female employment participation in corporate sector indicates that from 2000 to 2005, there was fluctuation but the rate was very small. After that it was increasing. The overall trend of this participation was increasing. Both male and female of employment participation in corporate sector has been increasing.

TABLE 3: EMPLOYMENT PARTICIPATION IN INDUSTRIAL SECTOR

Year	Male	Female	Total
1995	232.97	42.28	275.25
2000	230.37	49.23	279.6
2003	220.32	49.68	270
2004	215.09	49.34	264.43
2005	214.42	50.16	264.58
2006	218.72	51.21	269.93
2007	219.64	53.12	272.76
2008	220.37	55.12	275.49
2009	225.92	55.8	281.72
2010	228.49	58.59	287.08
2011	230.45	59.54	289.99

Source: Economic Survey 2012-13

The Table 3 shows the employment participation rate of both male and female in Industrial sectors in different years. The data exhibits that there was an increasing tendency in employment participation rate .Since 1995 to 2003, even though there was high fluctuation in employment participation, the participation rate was very high. But in 2003 the participation was declined very much. After that it was increasing slowly and reached at very high level by 2011. Major decline happened in the year was 2003; it was accounted about nine percent. In the case of male participation rate, until 2005 the employment participation had been declining but then after it was increasing at increasing rate, reached at a level as in 2000 by 2011.However, the highest male participation was marked in the year 1995, was 232.97.As considering the female participation rate, it is important to note that except a miner decline in 2008-09. This had been increasing throughout the year and reached at top level by 2011. Between 2000 and 2004 the rate of female participation was almost constant. As comparing male participation rate with female participation rate, the participation rate was four to five times higher for male than female and the pace of growth was also high for male participation.

The Table data confess that in Industrial sector, the employment participation rate for both male and female in India has been growing year by year. It is an indication that in future not much unemployment problem can hope. Not only the male participation but also the female participation has been growing, therefore lag in the participation between male and female can be reduced in future. Thereby female also can contribute to the GDP of India as male.

SUMMARY

Employment is a mutual contract between an employer and an employee. There are wide scopes in the field of employment such as full-time or part-time employment, casual work, self-employed, fixed term employment, and so on. It is legally ascertain that the age reservation for labour force is strictly fixed between 15 and 59. And below this age group is considered as child labour and it is punishable. Since the gender bias is a great talk today, the participation of male and female in industrial sector is obviously varying. In public industrial sector it is an interesting fact that the involvement of the female is ascending and the male effort is gradually descending. Rather reflecting the female participation growth in the development of the public industrial sector, it declines.

But in corporate sector, due to some reasons, the involvement of male is getting high rather than the female role. Insecurity in the corporate sectors is diminishing the participation of female, even though the table shows a slow growth in their participation. While taking altogether under industrial sector a type of fluctuation is visible in the male participation but the female part is in a steady growth.

Now in the globalization era the corporate sectors are growing rapidly becoming a visible threat to the existence of public industrial sector. Though the public industrial sectors are vanishing slowly, the government concerned is encouraging their growth due to its high productivity. The estimation report agrees the fact that the public industrial sector's NDP growth rate is declining.

The research work is only revealing the data of organized sector, where the NDP growth rate of the corporate sectors is increasing steadily. The unorganized sectors data are not in its exact accuracy but it is calculated only with the data available. And it shows that the 2007-08 estimation brings a growth in its NDP rate but a decline in organized sector.

FINDINGS

The private corporate sector has emerged as the main contributor to the GDP growth rates and employment in the country. Particularly since the mid-1980s, following the liberalization measures taken at various points of time. The growth rates in GDP of private organized sector are much higher than those of public sector and private unorganized sector. There has been a significant rise in the contribution of private corporate sector to the Indian economy. Major findings are given below.

- There was an inequality between male and female employment participation rate in public industrial sector. The male participation rate was five times higher than female participation rate.
- Employment participation of both male and female in corporate sector has been increasing, but compare to male, female participation was low.
- Employment participation was higher in corporate sector while in public sector not only it was low but also decreasing participation rate.

SCOPE FOR FUTURE RESEARCH

The growth of corporate sector since liberalization and its contribution to the Indian economy seeks a great deal of attention. This thesis mainly focuses on the growth of corporate sector in India and employment generated by the same. There are many associated topics that could form quality research substance. The change in employment pattern after liberalization and corporate sector growth can be studied. The accumulation of wealth by owners of certain industrial cluster and the inequality due to it is a relevant area of study. The sector-wise analysis of corporate industries and contribution of each industrial sector to Indian economy is significant.

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PERFORMANCE EVALUATION OF TOP PERFORMING MUTUAL FUND MANAGERS: AN ANALYTICAL STUDY FROM INDIA

SHIVANI CHAUDHRY
RESEARCH SCHOLAR
JAYPEE BUSINESS SCHOOL
NOIDA

DR. MOONIS SHAKEEL
ASST. PROFESSOR
JAYPEE BUSINESS SCHOOL
NOIDA

ABSTRACT
The present study is an attempt to evaluate the stock selectivity and market timing skills of Indian mutual fund managers from the period of January 2008 to March 2014. The study has adopted Jensen's model, Treynor-Mazuy's(TM) model and Henriksson-Merton's(HM) model for the analysis . In this study, we have evaluated the performance of fund managers of top fifteen equity mutual funds of India .The results indicate that the mutual fund managers neither have stock selectivity skills nor they are able to time the market correctly. It signals that they should adopt specific investment strategies as well as market timing techniques to enhance the portfolio returns. Moreover, if these practices are adopted by the managers, it will attract the attention of the Indian investors towards the mutual fund industry.

KEYWORDS
Henriksson-Merton's (HM) model, Jensen's model, market timing skill, Stock selectivity, Treynor-Mazuy's(TM) model.

INTRODUCTION
The mutual fund industry was established in India with the setting up of Unit Trust of India (UTI) in 1964 by Government of India. Since the inception of the first mutual fund in India by the enactment of the Unit Trust of India (UTI) Act, the growth of the Indian mutual fund industry has been steady and robust. The objective behind this is to provide investors, professionally managed services, to route their investments in stocks, bonds, short-term money market instruments and/or other securities.

Indian mutual fund industry, though, has evolved over the years but investment in mutual funds have been minimal as compared to other investment avenues, inspite of the savings rate in India been between 30-35 percent since last few years. Despite the efforts made by the distributors, still it continues to be a 'push' product rather than a 'pull' product.

The industry recorded total assets under management (AUM) of INR 8,800 billion as on Dec. 2013 while the highest AUM recorded in Aug. 2013 as INR 9580 billion. Though a decline was seen in AUM in Dec. 2013, the AUM of equity funds increased by 4-5 percent on account of rising stock prices.

Witnessing the challenges facing the industry, this paper tries to evaluate the performance of mutual fund managers in terms of their market timing and selectively skills. This will also help the distributors in convincing & guiding the investors about using mutual funds as a financial tool to achieve their goals.

Moreover, the academicians and practitioners are also immensely keen to know the investment portfolio performance. The area that is still difficult to evaluate, is the accurate performance measurement of mutual fund managers. Hence, an attempt is made in this paper to evaluate the performance of the top performing mutual funds and understand whether this good performance is by chance or by design i.e. the timing ability and selectivity skills of the fund managers.

The purpose of this paper is to analyze the performance of mutual funds & hence, that of mutual fund managers that operate in India. This topic is well analyzed for European countries and the USA, but the research on performance of the mutual fund industry in developing economies is relatively less.

In this paper, we measure the value of mutual fund managers in the Indian financial industry. We examine their performance using three models proposed by Jensen (1968), Treynor & Mazuy (1966) and Henriksson & Merton (1981). However, to measure the performance of mutual fund managers accurately, there are three key characteristics, which are required to be analyzed. These three characteristics that influence the mutual fund returns are asset allocation, security selection and market timing.

The Jensen (1968) measure primarily examines the security selection & asset allocation ability of mutual fund manager. The measurement of the market timing skills of the mutual fund managers is done by the two models proposed by Treynor and Mazuy (1966) and Henriksson and Merton (1981).

Fama (1972) gave this suggestion that portfolio manager's ability to predict the market can be divided into two parts: micro forecasting or stock picking ability & macro forecasting or market timing ability.

Microforecasting or stock selection requires the ability to judge the stocks which are over or undervalued relative to market returns. Microforecasting actually tries to predict the non-systematic or security specific return of the stock. However, the macro forecaster judges the expected returns of the market portfolio. Thus, it is very crucial and of great importance to know that the past performance of the mutual fund was due to the selectively and market timing skills of the fund managers or merely due to luck.

The remainder of the paper is organized as follows. Section 2 details the review of literature on market timing & selectivity, Section 3 deals with objectives of the study,section 4 describes our research design, section 5 deals with results & discussions. The next section deals with conclusions & suggestions The last section gives the limitations of the study and the scope for future research.

LITERATURE REVIEW
A number of empirical studies have been conducted on mutual funds in the western countries as well as in India. Review of literature plays an important role in research as it considers the enormous efforts made by the academicians and researchers in the particular area.

A summary of some of the empirical studies that have influenced this research work is given in this section.

The earliest studies on performance of mutual funds showed different results. William F. Sharpe (1966) used the Sharpe ratio to measure the performance of mutual funds. He evaluated the performance over two time periods i.e. 1944-1953 and 1954-1963 and concluded that a positive relationship existed between these two periods.

On the contrary, Jensen (1968) measured the performance of mutual funds in a path-breaking study in which 115 mutual funds were evaluated in the period between 1945-1964. He derived a measure i.e. Jensen's alpha to evaluate them. It estimated the forecasting ability of the fund manager which contributes in the rate of return of the mutual fund. The conclusion of his study was quite different from the previous studies. He concluded that there was minimal evidence of any fund performing significantly better than expectations.

A number of studies show that market beta is sufficient to explain the expected return of the portfolio, but Fama & French (1992) proposed a three-factor model to include non-market risk factors i.e. size factor, SMB (the monthly return difference between the returns on small & big size portfolios) and a value factor, HML (the monthly return difference between the returns on the high and low book-to-market ratio portfolios) in addition to the market factor.
Carhart (1997) developed a four-factor model in which he included another factor known as a momentum factor constructed by the monthly return difference between the returns on the high and low prior return portfolios, to capture the cross-sectional return patterns.
Treynor and Mazuy (1966) examined 57 open-ended mutual funds for the period from 1953 to 1962 to investigate whether the fund managers can outguess the market. They came with a conclusion that the fund managers do not have the ability to outguess the market.
Henriksson and Merton (1981) developed a model quite similar to the one which was used by Treynor and Mazuy (1966) in which they developed a statistical framework to judge the market timing ability of fund managers with the help of parametric and non-parametric tests. Henriksson (1984) further evaluated 116 mutual funds from 1968 to 1980 and did not find any evidence of market timing ability of fund managers.
Kon S. (1983) proposed an empirical methodology for measuring the market timing performance of investment managers. The results of this study indicate that the fund managers have significant timing ability at the individual level but at the group level they do not have any extra information regarding the returns of the market portfolio.
Lee & Rahman (1990) by their study indicated that the fund managers have superior & significant micro and macro forecasting ability at the individual fund level.
Gupta and Sehgal (1998) studied 73 mutual fund schemes to evaluate the market timing abilities of fund managers and concluded that only 3 schemes out of 73 showed market timing abilities of fund managers.
Roy and Deb (2004) evaluated a sample of 89 funds by conditional performance evaluation method, a framework supported by Ferson and Schadt. The time period of the study was over the period of January 1999 to July 2003. The results indicate that the use of conditioning lagged information variables improves the performance of mutual fund schemes in the Indian context.
Chander (2006) evaluated the timing skills & stock selection abilities of 80 Indian mutual fund managers over a period of five years from January 1998 to December 2002 by using Fama (1992), TM (1966) and HM (1981) models. The conclusion of the research was that the Indian fund managers were not having the market timing ability although it revealed a significant stock selection abilities of fund managers as well as persistence of such skills.
Deb et al (2007) again examined the market timing skills, using traditional (TM, 1966; and HM, 1981) and conditional (Ferson & Schadt, 1996) models, of 96 Indian mutual fund managers. The study concluded the presence of stock selection abilities but lack of market timing abilities among the fund managers.
Sehgal & Jhanwar (2008) evaluated the performance of selected 59 equity based mutual funds during 2000-2004 in India. They suggested that multi-factor benchmarks provide better selectivity and timing measures compared to one factor CAPM. They showed the improved evidence of stock selectively amongst Indian mutual fund managers by using daily returns i.e. high frequency data against monthly returns.
Shanmugham and Zabiulla (2011) studied the stock selectivity strategies of equity mutual fund managers in India using Jenson's measure. It concluded that conditional evaluation measurement techniques are relevant for assessing the selectivity performance of Indian fund managers.
An indepth review of the literature shows that some issues are still there which need to explored especially in the Indian context. Although, in the past decade, work has been done in this field, yet most of the studies have used monthly data for measuring fund performance. If the data is of high interval, it is difficult to assess the performance of fund managers accurately. Thus, the present study uses daily returns of the top 15 selected equity mutual funds growth- oriented schemes to study the skills of fund manager. Moreover, the study is also relevant as it evaluates the top performing mutual fund schemes whose fund managers have an important role in their returns. In the present scenario of challenges faced by the mutual fund industry in terms of investments, this research paper can throw some light on the stock selectivity and market timing ability of fund managers of top equity mutual fund schemes. Thus, the present study gives an insight on the future of mutual fund industry in India.

OBJECTIVES OF THE STUDY
The aim of the present study is -
(i) To evaluate the performance of top 15 equity mutual fund schemes (Growth- oriented) (selected with the help of websites and other financial data).
(ii) To judge the performance of the fund managers of the above selected schemes on their stock selectivity & market timing skills.

HYPOTHESIS
The plethora of studies provided some evidence of stock selectivity skills amongst mutual fund managers but very little evidence about the market timing ability in them. Hence, the following hypotheses have been evolved on the basis of above literature review:
H0: Mutual fund managers use the stock selectivity skills to manage portfolios.
H0: Mutual fund managers possess specific market timing abilities.

RESEARCH DESIGN
The research design adopted for evaluating the stock selectivity & market timing skills of the fund managers , is as follows:
A set of 15 top performing growth oriented equity mutual funds schemes, was identified from the website www.valueresearchonline.com which provides an online information of the top rated mutual funds of each category. In this study we have selected top rated equity mutual funds as on June 2013.
The rationale behind choosing the equity mutual funds, which are performing well in the market, is that we expect that the selectivity and timing skills of the fund managers should be most significant in these schemes. This study also gives us an idea that the high returns in these schemes is due to the efficiency of fund managers or it is merely by chance.
The period chosen is between Jan 2008 to Mar 2014. This period is chosen because during this period Indian capital market has witnessed major upheavals as a result of occurrence of important events & turmoils at the domestic as well as international front. These were structural reforms and high volatility in the Indian mutual fund industry alongwith subprime crisis at the international level.

DATA SOURCE
The data set used in this study is secondary in nature. The secondary data have been collected for a sample of fifteen top performing equity mutual fund schemes during the period Jan 2008 to Mar 2014. The data used in the study mainly comprise of the daily net asset values (NAV) from Jan 2008 to Mar 2014 of the schemes, which has been collected from the factsheets of mutual fund companies, brochures and the various websites, a number of research oriented websites like that of AMFI (http://www.amfiindia.com) has been used to download the NAV (net asset values) data as well as to select the top fifteen equity mutual fund schemes. The data related to benchmark indices like BSE Sensex and CNX Nifty has been collected from the websites of Bombay stock exchange (http://www.bseindia.com) and National stock exchange (http://www.nseindia.com) respectively. In this study 91 day treasury bill of GOI is used as a market proxy for risk-free rate. The data for 91-day treasury bill has been obtained from the website of RBI (http://www.rbi.org.in)

MODEL DESCRIPTION
A brief description of the models used to test the selectivity & market timing skills of the mutual fund managers in this research paper is given below:
(a) ***Jensen's Model*** – Jensen's model helps to evaluate the selectivity skills of fund managers i.e. their ability to identify undervalued or overvalued securities. The superior returns earned out of the ability of stock selection can be known from Jensen's alpha.
Jensen's measure may be represented in the following equations:
$$Rpt - Rft = \propto pt + \beta pt(Rmt - Rft) + \in pt - - - -(1)$$

Where

Rpt = return of the fund 'p' for period 't'

Rft = risk-free return for period 't'

Rmt = return on the benchmark (market) portfolio for period 't'

∈pt = random error term

α_{pt}, β_{pt} are the parameters of the model and are estimated by OLS techniques. A positive and significant value of α_{pt} will indicate superior selectivity skills of the fund managers.

As shown in equation (1) the excess fund return is regressed with excess market return. Here, excess fund return and that on the market, in comparison to the risk free return are acting as dependent and independent variables respectively. In this Jensen's α_{pt} i.e. the intercept of this regression equation measures the portfolio manager's predictive ability to achieve higher return than expected for the given riskiness. Beta coefficient measures the systematic risk of the portfolio.

However, it is assumed the systematic risk exposure is constant for the given time period i.e. β_{pt} is constant and hence, the above equation is actually evaluating the superior stock selectivity skills or its absence in a fund manager. Thus, a positive and significant value of α_{pt} will definitely show superior microforecasting abilities of the fund manager unlike a negative value which indicates wrong microforecasting abilities.

There are studies (Lee and Rahman, 1990 and Henriksson, 1984) which indicate that the market timing activities of the fund manager would have an impact on the results of microforecasting ability tests i.e. the values of α_{pt} will be distorted. Hence, it is imperative to evaluate the impact of both stock selectivity and market timing skills of the fund managers.

Two models developed by Treynor & Mazuy (1966) and Henriksson & Merton (1984) have been employed in this study to test both the selectivity and market timing skills of the fund managers.

(b) ***TM Model***: Treynor and Mazuy (1966) added a quadratic term (squared term) to the excess - return version of the Jensen's single index model to detect the market timing skills of the portfolio managers. The model suggested by them can be represented in the following equation:

$$Rpt - Rft = \propto p + \beta p(Rmt - Rft) + \gamma p(Rmt - Rft)^2 + \in pt - - - (2)$$

Where $\propto p, \beta p$ & γp are the parameters of the model.

The parameters can be calculated by using standard regression methodology. According to this model, if γp has a statistically significant positive value it indicates that the mutual fund manager possess market timing skills where as if γp is negative valued, there is lack of market timing ability in fund managers. An insignificant value of γp also indicates that the fund managers cannot time the market efficiently.

However, if αp is having a significant positive value, it indicates the stock selectivity skills of the fund managers, as in the Jensen's model.

(c) ***HM Model*** – Henriksson & Merton (1981) developed a simpler model to assess the market timing abilities of the fund managers. According to this model, the fund manager allocates the funds in risk-free assets and equities depending on its ability to forecast the excess market returns in future i.e. his market timing ability. Thus, he will select the assets with higher value of β when the market is expected to perform better i.e. Rm≥Rf and similarly, will select those assets whose β value is low when the market is expected to go southwards i.e. Rm ≤ Rf.

Thus, such a relationship can be estimated by involving the dummy variable. The relationship can be exhibited in the form of the following regression equation:

$$Rmt - Rft = \propto p + \beta p(Rmt - Rft) + \gamma p[D(Rmt - Rft)] + \in pt \quad Eq. (3)$$

Where D is the dummy variable that is equal to 'O' for the period when Rmt ≥ Rft and -1 when Rmt ≤ Rft.

α_p, β_p & γ_p are the parameters of the regression equation (3)

Here, the parameter β_p corresponds to the up-market (bullish) beta of the portfolio whereas ($\beta_p - \gamma_p$) indicates the bearish or down-market beta of the portfolio. Thus, it is clear that γ_p is the difference between the values of these two betas & a significantly positive value of γ_p indicates the market timing ability of the fund managers. In other words, a statistically significant positive value of γ_p indicates, superior macro forecasting skills of the fund manager and vice versa.

VARIABLE DESCRIPTION

The variable **return** is used in this study to employ the three models i.e. the Jensen model (1968), Treynor Mazuy Model (1966) & the Henriksson Merton model (1981)

RETURN

The returns for each of the sample schemes has been calculated by using the following formula:

$$Rpt = \frac{NAV\,p,t}{NAV\,p,(t-1)} - 1$$

where R_{pt} = Return of the sample mutual fund scheme (portfolio) on the basis of NAV for period 't'

$NAV_{p,t}$ = Net asset value of fund 'p' in period 't'

$NAV_{p,(t-1)}$ = Net asset value of fund 'p' in period 't-1'

t & t-1 indicate present & previous day NAVs respectively.

Similarly, the returns for the market index have been computed as follows:

$$R_{mt} = \frac{\text{Market Index t} - \text{Market Index t-1}}{\text{Market Index t-1}}$$

Where R_{mt} = Return of the market index for period t.

Market Index t = Market value of the index in period t.

Market Index t-1 = Market value of the index in period 't-1'.

't' and 't-1' are the present day and previous day market value of the index respectively.

Likewise, the risk free return (R_{ft}) has been calculated by taking the yield of 91 – day treasury bill as the surrogate for risk free return. We converted the T- bill yield in annualized form (R_{aft}) into daily form as follows:

$$R_{ft} = \frac{\ln(1+R_{aft})}{365}$$

R_{aft} is the annualized yield as reported in the RBI website (http://www.rbi.org.in) at time t.

EMPIRICAL FINDINGS & DISCUSSION

Appendix 1 represents the output for SBI FMCG FUND obtained by employing the E-views software for the three models on the basis of which the analysis is done. Similar outputs are obtained for the rest of the sample mutual fund schemes**.**

Table 1.1, 1.2 and 1.3 show the consolidated estimated results of the Jensen's, TM and HM model respectively for the top 15 mutual funds analyzed for the study. We have also reported the t-statistics and p-values of the estimated coefficients.

ASSESSMENT USING JENSEN'S MODEL

The stock selectively skills of the mutual fund managers for the sample mutual fund schemes is calculated using equation (1) of the Jensen's model. The summary of stock selectivity is presented in table 1.1. It is clearly seen from the results of this table that all the sample mutual fund schemes are characterized by negative alphas that are statistically significant at five percent level of significance. This indicated that the stock selection skills of fund managers of these schemes appear to be questionable. Thus, the results of selectivity based on Jensen's model reveal that the Indian mutual fund managers do not have superior selectivity skills during the period under consideration.

The above analysis infers that the supernormal performance of the selected mutual fund schemes is due to random chance and the fund managers of these schemes do not possess superior selectivity skills.

ASSESSMENT USING TM MODEL

Table 1.2 presents the empirical results for the TM (1966) model using equation (2) for the sample mutual fund schemes. The observation and analysis of the results in table 1.2 reveals that the fund managers of all the top fifteen growth oriented equity mutual fund schemes do not possess superior selectivity skills as the alphas generated are negative and statistically significant at five percent level of significance.

According to Treynor and Mazuy, gamma on the equation (2) is a measure of market timing skill of fund managers. In another column of the table 1.2, we have the coefficient gamma (γ) values of the various mutual fund schemes selected for the study. The coefficient gamma is negative for 13 schemes and only for two schemes it is positive. The two schemes for which we have positive gamma values are ICICI PRU focus blue chip fund and HDFC TOP 200 fund but none of these are statistically significant at five percent level of significance. However, out of the thirteen sample schemes with negative gamma coefficients only seven of the schemes are found to be statistically significant at five percent. This clearly indicates that the managers of these seven schemes were applying their timing skills but not so in the right direction. These schemes were ICICI PRU FMCG fund, Birla Sunlife Equity Fund, SBI Pharma fund, DSP Black Rock Top 100 equity fund, UTI Pharma & Healthcare fund, Kotak Global emerging market fund and UTI equity fund. The fact that these funds are among the top fifteen best performing funds in their category proves that the performance is merely because of the random luck of the investors and prevailing market conditions, the skills of the fund managers are not playing any positive role in it.

ASSESSMENT USING HM MODEL

Table 1.3 presents the empirical results using HM model by applying equation (3) for the sample mutual fund schemes. An analysis of the table shows that fund managers of all the sample mutual fund schemes have generated negative alpha values and most of them are statistically significant. The alpha values are not significant at 5% level of significance for two schemes only i.e. UTI equity fund and HDFC TOP 200 fund. Thus, it overall indicates that none of the fund managers of the sample mutual fund schemes possess superior microforecasting or stock selection abilities.

The coefficient gamma values representing the market timing abilities of the fund managers are shown in the next column of the same table. The gamma values of 10 mutual fund schemes are positive but none of them are statistically significant at 5% level of significance. However, the gamma value of UTI Pharma fund is positive as well as statistically significant at 10% level of significance.

The gamma coefficient values of five of the sample schemes are negative and two of these schemes are statistically significant. This shows that 20% of the sample mutual fund schemes were able to record statistically significant γ values. The results show that few schemes have shown positive gamma value but except one all of them are not significant statistically. Thus, it supports the view that even fund managers of the top performing funds do not exhibit remarkable ability to time the market. They were not able to switch over their fund's β and take the advantage of market movements to earn superior returns from the market timing skill.

Thus, an analysis of the table showing the results of HM model clearly gives us an evidence that the Indian mutual fund managers neither possess good stock selectivity skills nor market timing abilities.

CONCLUSION & SUGGESTIONS

In this research paper, performance of Indian managers of top fifteen growth oriented equity mutual fund schemes were analyzed in terms of their stock selectivity and market timing skills by applying three models namely Jensen Model TM model and the HM model.

The empirical evidences indicate that most of the fund managers do not exhibit superior selectivity skill and market timing ability according to each of the three models adopted in this study. Thus, this proves that both the null hypotheses are false.

In accordance with the other Indian and global studies, this study suggests that the fund managers were not able to provide superior premiums to the investors by their extraordinary skills. The negative values of gamma indicate perverse market timing strategies of the fund managers. The fund managers have failed to capitalize on their professional expertise.

The research study, thus, concludes that even the fund managers of the top performing funds in India are not involved in efficient market timing and stock selection activities. They are more dependent on the market movements and do not provide any value addition to the portfolios of the mutual fund schemes, which they are supposed to manage.

The research findings of the present study suggest that the fund managers of Indian mutual fund industry should adopt proper investment research before selecting a particular security for investment and this would definitely help them out in enhancing their stock selection ability and thus, adding value to the portfolios managed by them. Besides this, they should also follow any of the market timing strategies like fundamental indicators, technical indicators or societal indicators to time the market efficiently.

LIMITATIONS

The present study should be interpreted with caution due to few limitations. Firstly, it has a sample of only open ended growth oriented equity mutual funds which invest maximum percentage of their investment in equities and their main aim is capital appreciation. Secondly, the sample period of the study is only six years though it includes both the bearish (2008) and bullish (2013) phases of the Indian stock market.

Inspite of the above mentioned limitations, the study is quite relevant in the present scenario where we have to incorporate certain pertinent measures to attract the interest of investors towards the mutual fund industry in India.

The present study contributes to the above cause by guiding the fund managers to take few valuable steps so that they can not only add value to the portfolios of their investors but also exhibit effective professional skills.

SCOPE FOR FURTHER RESEARCH

A fruitful area of research related to the present study may be to use the conditional models to analyze the market timing skills and stock selectivity abilities of the Indian mutual fund managers.

Further, the study can be extended by examining not only open ended but also closed ended equity and dividend schemes. Thus, future research could be done by considering a larger sample over a longer time span.

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APPENDIX

APPENDIX 1

SBI FMCG FUND
Jensen model
Dependent Variable: RPT_RFT
Method: Least Squares
Date: 05/25/14 Time: 21:20
Sample (adjusted): 1/04/2013 3/21/2014
Included observations: 295 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RMT_RFT	0.646145	0.039436	16.38458	0.0000
C	-0.001960	0.000472	-4.151675	0.0000
R-squared	0.478141	Mean dependent var		-0.005693
Adjusted R-squared	0.476360	S.D. dependent var		0.009815
S.E. of regression	0.007102	Akaike info criterion		-7.050105
Sum squared resid	0.014779	Schwarz criterion		-7.025109
Log likelihood	1041.891	F-statistic		268.4545
Durbin-Watson stat	1.834848	Prob(F-statistic)		0.000000

APPENDIX 1 (Contd.)

TM MODEL
Dependent Variable: RPT_RFT
Method: Least Squares
Date: 06/03/14 Time: 16:16
Sample (adjusted): 1/04/2013 3/21/2014
Included observations: 295 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RMT_RFT	0.599517	0.046732	12.82898	0.0000
RMT_RFT_2	-3.655088	1.984954	-1.841397	0.0666
C	-0.001706	0.000490	-3.480143	0.0006
R-squared	0.484131	Mean dependent var		-0.005693
Adjusted R-squared	0.480598	S.D. dependent var		0.009815
S.E. of regression	0.007073	Akaike info criterion		-7.054871
Sum squared resid	0.014609	Schwarz criterion		-7.017376
Log likelihood	1043.593	F-statistic		137.0178
Durbin-Watson stat	1.844007	Prob(F-statistic)		0.000000

APPENDIX 1 (Contd.)

HM MODEL
Dependent Variable: RPT_RFT
Method: Least Squares
Date: 05/25/14 Time: 21:39
Sample (adjusted): 1/04/2013 3/21/2014
Included observations: 295 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RMT_RFT	0.688836	0.056490	12.19405	0.0000
DUMMY	0.001436	0.001360	1.055314	0.2922
C	-0.002784	0.000912	-3.051543	0.0025
R-squared	0.480124	Mean dependent var		-0.005693
Adjusted R-squared	0.476563	S.D. dependent var		0.009815
S.E. of regression	0.007101	Akaike info criterion		-7.047132
Sum squared resid	0.014723	Schwarz criterion		-7.009638
Log likelihood	1042.452	F-statistic		134.8362
Durbin-Watson stat	1.829897	Prob(F-statistic)		0.000000

TABLE 1.1: RESULTS OF JENSEN'S MODEL: FUNDWISE ANALYSIS

TOP 15 MUTUAL FUNDS	α_p	t(α)	p(α)	β_p	t(β)	p(β)
SBI FMCG Fund	-0.0019	-4.15	0	0.646145	16.38458	0
ICICI Pru. FMCG Fund	-0.0024	-10.9	0	0.483641	38.307	0
Birla Sun Life Eq. Fund	-0.0076	-6.153	0	0.869256	86.71	0
SBI Pharma Fund	-0.0024	-9.015	0	0.4988	33.678	0
L&T Global Real Assets Fund	-0.0052	-9.485	0	0.0648	1.385	0.1668
DSP BR Top100 Eq. Fund	-0.0011	-7.911	0	0.7692	93.412	0
ICICI Pru.Focus Bluechip Eq Fund	-0.0009	-5.08065	0	0.780276	79.6653	0
Franklin India Bluechip Fund	-0.0008	-6.3132	0	0.821008	113.9952	0
UTI Pharma& Healthcare Fund	-0.0028	-13.3529	0	0.397644	32.82032	0
Kotak Global Emerging Market Fund	-0.0027	-8.19153	0	0.509479	28.27249	0
BNP Paribas equity Fund	-0.0013	-11.2231	0	0.755862	81.25805	0
Axis Equity Fund	-0.0007	-8.64366	0	0.862915	139.535	0
UTI Equity Fund	-0.0014	-10.9202	0	0.700421	94.70113	0
Canara Robecco Large Cap Fund	-0.0014	-14.4668	0	0.751887	100.0195	0
HDFC Top 200 Fund	-0.0009	-5.20589	0	0.808923	85.55886	0

NOTE: In the above table α_p represents the stock selectivity skills of mutual fund managers. β_p represents the systematic risks of the portfolio of the respective mutual fund scheme.
t(α),p(**α**), **t(β)**, p(**β**) represent the t- statistics and p – values of α and β coefficients respectively.

TABLE 1.2: RESULTS OF TREYNOR & MAZUY'S MODEL: FUNDWISE ANALYSIS

TOP 15 MUTUAL FUNDS	α_p	t(α)	p(α)	γ_p	t(γ)	p(γ)
SBI FMCG Fund	-0.00171	-3.48	0.0006	-3.655	-1.8413	0.0666
ICICI Pru. FMCG Fund	-0.00204	-8.88	0	-1.724	-5.7296	0
Birla Sun Life Eq. Fund	-0.00061	-4.564	0	-1.762	-3.2292	0.0013
SBI Pharma Fund	-0.00195	-7.1082	0	-1.547	-5.8811	0
L&T Global Real Assets Fund	-0.00352	-4.234	0	-9.565	-1.91	0.0581
DSP BR Top100 Eq. Fund	-0.00095	-6.3058	0	-0.8999	-4.564	0
ICICI Pru.Focus Bluechip Eq Fund	-0.00093	-5.20744	0	0.202236	1.173795	0.2407
Franklin India Bluechip Fund	-0.00074	-5.5538	0	-0.29257	-1.688013	0.0916
UTI Pharma& Healthcare Fund	-0.00242	-11.0026	0	-1.942472	-6.754819	0
Kotak Global Emerging Market Fund	-0.00204	-6.07764	0	-2.161558	-6.842179	0
BNP Paribas equity Fund	-0.00122	-9.75258	0	-1.048196	-2.080713	0.0378
Axis Equity Fund	-0.00064	-7.71528	0	-0.296846	-0.877318	0.3805
UTI Equity Fund	-0.00125	-9.20887	0	-0.796089	-4.497435	0
Canara Robecco Large Cap Fund	-0.00131	-12.8913	0	-0.636144	-1.550451	0.1214
HDFC Top 200 Fund	-0.00096	-5.36767	0	0.223592	1.317423	0.1879

NOTE: In the above table α_p represents the stock selectivity skills of mutual fund managers. γ_p represents the market timing ability of the portfolio managers of the respective mutual fund schemes.
t(α),p(**α**), **t(γ)**, p(**γ**) represent the t- statistics and p – values of α and γ coefficients respectively.

TABLE 1.3: RESULTS OF HENRIKSSON MERTON'S MODEL: FUNDWISE ANALYSIS

TOP 15 MUTUAL FUNDS	α	t(α)	p(α)	γ	t(γ)	p(γ)
SBI FMCG Fund	-0.00278	-3.0515	0.0025	0.001436	1.055	0.2922
ICICI Pru. FMCG Fund	-0.00257	-6.0144	0	0.000252	0.4037	0.6865
Birla Sun Life Eq. Fund	-0.00111	-4.6782	0	0.000619	1.707	0.0881
SBI Pharma Fund	-0.00382	-7.4629	0	0.0024	3.246	0.0012
L&T Global Real Assets Fund	-0.00523	-4.9012	0	0.00009	0.0587	0.953
DSP BR Top100 Eq. Fund	-0.00075	-2.096	0.0071	-0.00067	-1.666	0.0959
ICICI Pru.Focus Bluechip Eq Fund	-0.00086	-2.59536	0.0095	-1.68E-05	-0.035158	0.972
Franklin India Bluechip Fund	-0.00107	-4.4035	0	0.000467	1.307513	0.1912
UTI Pharma& Healthcare Fund	-0.00347	-8.46173	0	0.001069	1.781624	0.075
Kotak Global Emerging Market Fund	-0.00311	-4.94957	0	0.000712	0.783576	0.4334
BNP Paribas equity Fund	-0.00131	-5.82083	0	-2.01E-05	-0.058327	0.9535
Axis Equity Fund	-0.0008	-5.45881	0	0.000248	1.109013	0.2677
UTI Equity Fund	-0.00038	-1.34195	0.1798	-0.00149	-3.74464	0.0002
Canara Robecco Large Cap Fund	-0.00118	-6.55539	0	-0.00033	-1.19975	0.2306
HDFC Top 200 Fund	-0.00056	-1.71378	0.0868	-0.00055	-1.166028	0.2438

NOTE: In the above table α_p represents the stock selectivity skills of mutual fund managers. γ_p represents the market timing ability of the portfolio managers of the respective mutual fund scheme.
t(α),p(**α**), **t(γ)**, p(**γ**) represent the t- statistics and p – values of α and γ coefficients respectively.

IMPACT OF DIVIDEND ANNOUNCEMENT ON STOCK RETURNS: A STUDY WITH REFERENCE TO DIVIDEND ANNOUNCEMENTS OF BANKING AND NON-BANKING SECTORS IN INDIA

DR. KUSHALAPPA. S
ASST. PROFESSOR
DEPARTMENT OF MBA
ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY
MIJAR

LAXMI ACHARYA
STUDENT
DEPARTMENT OF MBA
ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY
MIJAR

ABSTRACT

Banking sector is the most prominent sector of the financial system in India. Remarkable progress has been made with respect to the banking sector in the post liberalization period. The financial health of the commercial banks has improved manifolds with respect to capital adequacy, profitability, and asset quality and risk management. Further, deregulation has opened new opportunities for banks to increase revenue by diversifying into investment banking, insurance, credit cards, depository services, mortgage, securitization, etc. Liberalization has created a more competitive environment in the banking sector. In the same context one cannot ignore the role of Non-bank financial companies (NBFCs) that provide banking services without meeting the legal definition of a bank, i.e. one that does not hold a banking license. NBFCs offer most sorts of banking services, such as loans and credit facilities, private education funding, retirement planning, trading in money markets, underwriting stocks and shares, TFCs(Term Finance Certificate) and other obligations. These institutions also provide wealth management such as managing portfolios of stocks and shares, discounting services e.g. discounting of instruments and advice on merger and acquisition activities. The number of non-banking financial companies has expanded greatly in the last several years as venture capital companies, retail and industrial companies have entered the lending business .Indian banks altogether have provided opportunities to investors to invest their funds in the capital market, as most of the banks are listed either on NSE or BSE or both. Investors prefer banking companies as the volatility is comparatively less. In the present study, an attempt is made to analyze the performance of BSE listed banks, under Group A and B, and NBFCs under group A to Z from 1st April 2008 to 31st march 2013. The study is purely based on secondary data. Various statistical tools are being used to make the study more effective.

KEYWORDS

Bank, Capital Market, Return, Risk, Security.

INTRODUCTION

Banking sector is the most prominent sector of the financial system in India. Remarkable progress has been made with respect to the banking sector in the post liberalization period. The financial health of the commercial banks has improved manifolds with respect to capital adequacy, profitability, and asset quality and risk management. Further, deregulation has opened new opportunities for banks to increase revenue by diversifying into investment banking, insurance, credit cards, depository services, mortgage, securitization, etc. Liberalization has created a more competitive environment in the banking sector. In the same context one cannot ignore the role of Non-bank financial companies (NBFCs) that provide banking services without meeting the legal definition of a bank, i.e. one that does not hold a banking license. NBFCs offer most sorts of banking services, such as loans and credit facilities, private education funding, retirement planning, trading in money markets, underwriting stocks and shares, TFCs(Term Finance Certificate) and other obligations. These institutions also provide wealth management such as managing portfolios of stocks and shares, discounting services e.g. discounting of instruments and advice on merger and acquisition activities. The number of non-banking financial companies has expanded greatly in the last several years as venture capital companies, retail and industrial companies have entered the lending business .Indian banks altogether have provided opportunities to investors to invest their funds in the capital market, as most of the banks are listed either on NSE or BSE or both. Investors prefer banking companies as the volatility is comparatively less. Investors invest in the stock market for two reasons: first one to get an income in the form of dividend and secondly to get a return in the form of capital gain. Dividend has information content. It shows that the firm is in profit. This information motivates the existing investors to retain their holding and also attracts the new investors. Therefore dividend makes the stock more attractive. The current work is an attempt to study the impact of dividend announcement on market returns of stocks of banking and non-banking companies in India.

OBJECTIVES OF THE STUDY

The core objective of this study is to evaluate the impact of dividend announcement on stock returns. However in order to achieve the main objective, the following specific objectives have been framed:

- To study the behavior of stock returns before the dividend announcement and after the dividend announcement
- To find out the correlation between the pre-announcement stock returns and post-announcement stock returns
- To compare the variance of returns before the announcement and after the announcement.

SCOPE OF THE STUDY

The study examines the returns to the shareholders in case of dividend announcement in India during the period, 2008 and 2013. The study contributes to understand the effect of the dividend announcement on the industries during the different peaks and troughs. The study covers dividend announcement of companies of sectors like; banking sector and non-banking sector.

METHODOLOGY

In this study the researchers have taken the dividend announcements made by companies included in the BSE SENSEX index from 1-4-2008 to 31-3-2013. The effects of dividend announcements of the companies on equity share prices were examined by taking daily adjusted market price data for the sample stocks for 15 days before and 15 days after the dividend announcement date. BSE SENSEX is used as the surrogate for the market portfolio. The announcement dates of companies which are announced in the various media are collected from the CMIE Prowess database. Also the share prices as well as the SENSEX values of companies were collected from the sector.

LIMITATIONS

Every research has its own limitations. The following are the limitations of this study.

- The study covers only few sectors like Banking and Non-Banking sector.
- This study is restricted only to BSE listed companies.

ANALYSIS AND INTERPRETATION

This part of the study deals with the analysis of the study. For the purpose of analysis the companies taken for the study are categorized into sectors. The sectors taken for the study is banking sector, on-banking sector. The returns of each company under each sector are shown in the annexure. Sector wise analysis is being made and then correlation between pre-dividend announcement (AR) and post-dividend announcement AR is calculated for each company and then for each sector. For the above purpose, statistical tools, like, standard deviation,co-rrelation, and co-variance has been used.

TABLE 1: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE & CO-RELATION OF BEFORE THE DIVIDEND ANNOUNCEMENT FOR PUBLIC SECTOR BANKS FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
-15	-1.54	-1.54	1.14	1.14	0.64	0.64	-1.24	-1.24	-1.27	-1.27	-0.16	-0.16
-14	-0.01	-1.55	1.03	2.17	-0.08	0.56	-0.63	-1.87	-1.33	-2.60	0.29	0.13
-13	0.50	-1.05	0.68	2.85	0.52	1.08	-0.55	-2.43	-0.71	-3.31	0.08	0.21
-12	1.34	0.28	0.00	2.85	0.98	2.07	-0.35	-2.78	0.45	-2.86	0.08	0.29
-11	0.57	0.86	0.86	3.70	0.00	2.07	-0.49	-3.27	0.52	-2.34	0.23	0.52
-10	-0.09	0.76	-0.30	3.40	0.25	2.32	-0.14	-3.41	-1.08	-3.43	0.84	1.36
-9	1.13	1.89	0.54	3.94	0.79	3.11	-0.26	-3.67	-1.00	-4.43	1.14	2.50
-8	0.12	2.01	0.68	4.63	0.11	3.22	-0.50	-4.17	-0.46	-4.90	-0.11	2.39
-7	0.05	2.06	1.93	6.56	-0.10	3.12	0.07	-4.11	0.01	-4.89	0.53	2.93
-6	-0.69	1.37	1.34	7.90	-0.18	2.93	0.54	-3.57	-1.03	-5.92	0.66	3.59
-5	-0.31	1.05	1.94	9.84	-0.28	2.66	0.45	-3.12	-0.16	-6.07	0.10	3.69
-4	0.00	1.05	1.38	11.22	-0.05	2.61	-0.35	-3.47	-0.77	-6.84	-0.19	3.50
-3	-0.90	0.14	1.60	12.82	-0.12	2.49	-0.39	-3.86	-0.39	-7.24	0.37	3.86
-2	1.39	1.53	0.10	12.92	0.01	2.50	0.63	-3.23	-0.31	-7.54	-0.18	3.68
-1	0.81	2.34	0.31	13.23	0.03	2.53	0.70	-2.53	0.07	-7.47	0.04	3.72
AVERAGE	0.16		0.88		0.17		-0.17		-0.50		0.25	
STD.DEV	0.83		0.69		0.38		0.55		0.60		0.40	
CO.VAR	532.02		77.79		227.63		-324.88		-119.52		160.28	

It is clear from the Table 1 that before the dividend announcement, among the public sector banks, the risk is highest in the year 2008 and Average Return is highest in the year 2009.

TABLE 2: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE & CO-RELATION OF AFTER THE DIVIDEND ANNOUNCEMENT FOR PUBLIC SECTOR BANKS FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
1	-2.52	-2.52	2.07	2.07	-0.05	-0.05	0.07	0.07	-0.58	-0.58	0.00	0.00
2	0.79	-1.73	2.97	5.03	0.15	0.09	0.04	0.11	0.38	-0.19	-0.50	-0.50
3	-0.74	-2.47	2.62	7.65	-0.43	-0.34	-0.27	-0.17	0.45	0.26	0.51	0.01
4	0.07	-2.40	4.18	11.84	-0.40	-0.75	-0.52	-0.69	0.17	0.42	-0.03	-0.02
5	1.39	-1.01	3.53	15.36	0.36	-0.38	-0.41	-1.10	-0.41	0.02	-0.28	-0.30
6	-1.41	-2.42	1.97	17.33	0.00	-0.39	-0.28	-1.38	0.12	0.14	0.55	0.25
7	0.92	-1.50	0.02	17.35	0.13	-0.26	-0.29	-1.67	0.23	0.36	-0.14	0.11
8	0.48	-1.01	0.32	17.67	-0.17	-0.43	-0.94	-2.61	-0.32	0.04	-0.93	-0.81
9	-0.92	-1.94	0.32	17.99	0.17	-0.26	-0.91	-3.53	-0.46	-0.42	0.42	-0.40
10	3.55	1.61	1.08	19.07	-0.64	-0.89	-0.46	-3.99	-0.11	-0.53	0.03	-0.36
11	1.72	3.33	2.39	21.46	0.06	-0.83	0.25	-3.74	-0.42	-0.95	0.02	-0.34
12	1.96	5.29	2.20	23.65	1.31	0.48	-0.13	-3.87	-0.15	-1.10	-0.10	-0.45
13	-1.34	3.95	1.24	24.90	-0.62	-0.14	-0.52	-4.38	-0.78	-1.88	-0.23	-0.67
14	0.59	4.54	0.86	25.76	0.18	0.04	-0.55	-4.93	-1.44	-3.31	0.28	-0.39
15	-1.63	2.91	-0.34	25.42	0.21	0.26	-0.60	-5.53	-0.83	-4.14	-0.41	-0.80
AVERAGE	0.19		1.69		0.02		-0.37		-0.28		-0.05	
STD.DEV	1.63		1.34		0.48		0.34		0.51		0.40	
CO.VARI	838.45		78.86		2791.33		-91.31		-185.55		-744.51	

It is clear from the Table 2 that after the dividend announcement, the risk is highest in the year 2010 and Average Return is highest in the year 2010 among the public sector banks.

TABLE 3: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE & CORRELATION OF BEFORE THE DIVIDEND ANNOUNCEMENT OF PRIVATE SECTOR BANKS FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
-15	-0.06	-0.06	2.83	2.83	0.64	0.64	-0.15	-0.15	0.33	0.33	0.50	0.50
-14	-0.10	-0.16	1.28	4.11	0.84	1.47	0.46	0.30	-0.96	-0.63	0.34	0.84
-13	-0.73	-0.89	2.50	6.61	-0.04	1.43	-0.41	-0.11	0.01	-0.62	0.58	1.42
-12	-0.07	-0.97	-0.32	6.29	0.37	1.80	0.19	0.09	-1.13	-1.75	0.92	2.34
-11	0.21	-0.75	0.57	6.86	0.39	2.19	0.30	0.38	-0.64	-2.38	1.25	3.59
-10	0.40	-0.35	1.43	8.29	0.06	2.25	-0.38	0.00	-0.37	-2.75	0.23	3.82
-9	-1.07	-1.42	2.45	10.74	-0.53	1.73	0.22	0.23	-0.16	-2.91	1.03	4.84
-8	0.16	-1.27	3.66	14.40	-0.39	1.34	-0.04	0.19	-0.28	-3.19	0.63	5.48
-7	-1.37	-2.64	0.46	14.86	-0.23	1.11	0.19	0.38	0.64	-2.55	-0.13	5.35
-6	-0.83	-3.47	4.03	18.89	0.94	2.05	-0.21	0.17	-0.54	-3.10	-0.41	4.94
-5	0.26	-3.21	-0.46	18.43	0.29	2.35	-0.40	-0.23	0.74	-2.36	0.54	5.48
-4	-0.82	-4.04	1.31	19.75	-0.08	2.27	0.54	0.30	-0.06	-2.41	-0.23	5.25
-3	-0.27	-4.31	1.46	21.21	-0.11	2.16	0.47	0.77	0.38	-2.03	-0.96	4.30
-2	1.43	-2.88	2.87	24.08	1.96	4.11	0.03	0.80	-0.94	-2.97	-0.16	4.13
-1	-0.26	-3.14	1.67	25.75	1.10	5.21	0.83	1.63	0.05	-2.93	-0.13	4.00
AVERAGE	-0.21		1.72		0.35		0.11		-0.20		0.27	
STD.DEV	0.70		1.34		0.66		0.38		0.58		0.60	
CO.VAR	-332.15		78.04		189.91		347.20		-295.44		224.86	

It is clear from the Table 3 that before the dividend announcement, the risk is highest in the year 2011 and Average Return is highest in the year 2009 among the private sector banks.

TABLE 4: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE AND CO-RELATION OF AFTER THE DIVIDEND ANNOUNCEMENT OF PRIVATE SECTOR BANKS FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
1	-1.11	-1.11	-1.73	-1.73	-0.08	-0.08	-0.27	-0.27	0.53	0.53	-0.20	-0.20
2	-0.42	-1.53	1.27	-0.47	0.51	0.43	0.89	0.62	-0.89	-0.36	0.63	0.43
3	-0.89	-2.43	3.95	3.48	-0.15	0.28	0.10	0.72	0.29	-0.07	0.96	1.38
4	-1.48	-3.91	1.96	5.44	0.27	0.55	-0.35	0.37	2.18	2.12	-0.72	0.67
5	1.14	-2.77	2.45	7.89	-0.02	0.53	0.64	1.01	-0.13	1.99	-0.07	0.59
6	-0.62	-3.39	-0.17	7.72	-0.38	0.15	-0.24	0.77	0.54	2.53	-0.01	0.59
7	-0.17	-3.56	1.44	9.16	1.99	2.15	-0.65	0.13	-0.58	1.96	-0.56	0.03
8	-1.59	-5.15	1.10	10.27	-0.43	1.72	-1.24	-1.12	0.01	1.96	0.06	0.09
9	-1.09	-6.24	-0.46	9.81	-0.72	0.99	-0.30	-1.42	-0.83	1.13	0.46	0.55
10	-0.86	-7.10	-0.93	8.88	0.22	1.22	-0.42	-1.84	0.38	1.51	-0.30	0.26
11	0.71	-6.39	0.59	9.47	-0.55	0.67	0.30	-1.55	0.34	1.86	-0.12	0.14
12	-0.30	-6.69	-0.24	9.22	0.51	1.17	-0.54	-2.09	-2.20	-0.34	-1.04	-0.91
13	0.17	-6.52	1.26	10.48	0.17	1.35	-0.12	-2.20	-0.03	-0.37	0.25	-0.66
14	-1.00	-7.52	1.23	11.71	0.98	2.33	0.12	-2.09	-0.16	-0.54	0.13	-0.52
15	-0.54	-8.06	-0.92	10.79	1.59	3.92	0.10	-1.99	-0.86	-1.40	0.12	-0.40
AVERAGE	-0.54		0.72		0.26		-0.13		-0.09		-0.03	
STD.DEV	0.76		1.49		0.77		0.52		0.96		0.51	
CO.VAR	-141.92		206.84		294.84		-395.94		-1030.94		-1932.73	

It is clear from the Table 4 that after the dividend announcement, the risk is highest in the year 2010 and Average Return is highest in the year 2009 among the private sector banks.

TABLE 5: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE & CO-RELATION OF BEFORE THE DIVIDEND ANNOUNCEMENT OF NON- BANKING FINANCIAL SECTOR FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
-15	1.83	1.83	-0.58	-0.58	0.48	0.48	-0.17	-0.17	2.15	2.15	0.44	0.44
-14	0.75	2.57	0.27	-0.31	-0.04	0.44	-0.39	-0.57	1.82	3.97	0.78	1.22
-13	-0.20	2.37	0.58	0.27	0.19	0.63	-0.82	-1.39	-1.68	2.29	-0.25	0.96
-12	0.08	2.45	-0.18	0.09	0.57	1.20	-0.20	-1.59	1.86	4.15	0.30	1.26
-11	-0.18	2.27	2.36	2.45	0.14	1.34	-0.34	-1.93	0.62	4.77	-0.12	1.14
-10	0.22	2.49	0.54	2.99	1.29	2.63	0.29	-1.64	-1.46	3.31	0.34	1.48
-9	0.31	2.80	0.47	3.47	0.76	3.39	-0.34	-1.98	-1.30	2.01	0.23	1.72
-8	-0.68	2.12	0.44	3.90	-0.02	3.36	0.78	-1.20	2.61	4.62	-0.11	1.61
-7	0.20	2.32	1.14	5.04	0.08	3.44	-0.49	-1.69	-1.17	3.45	0.03	1.64
-6	-0.66	1.66	1.72	6.76	0.19	3.63	-0.21	-1.90	0.90	4.34	1.28	2.92
-5	-1.17	0.49	-0.73	6.03	-0.40	3.23	-0.78	-2.68	1.54	5.88	0.02	2.94
-4	-0.41	0.08	1.20	7.23	0.85	4.07	-1.35	-4.03	-0.73	5.16	-0.49	2.45
-3	-0.63	-0.55	0.73	7.96	-0.27	3.80	-1.27	-5.30	0.38	5.53	-0.57	1.88
-2	0.17	-0.37	0.42	8.38	0.04	3.84	0.43	-4.87	-1.39	4.14	-0.88	1.01
-1	0.76	0.39	0.67	9.05	-0.02	3.82	0.41	-4.46	-1.56	2.58	0.69	1.69
AVERAGE	0.03		0.60		0.25		-0.30		0.17		0.11	
STD.DEV	0.74		0.80		0.45		0.61		1.57		0.56	
CO.VAR	2838.56		132.85		177.83		-204.85		911.46		497.50	

It is clear from the Table 5 that before the dividend announcement, the risk is highest in the year 2008 and Average Return is highest in the year 2009 among the Non-banking sector banks.

TABLE 6: AVERAGE RETURN, CUMULATIVE AVERAGE RETURN, STANDARD DEVIATION, CO-VARIANCE & CO-RELATION OF AFTER THE DIVIDEND ANNOUNCEMENT OF NON- BANKING FINANCIAL SECTOR FOR THE YEAR 2008-2013

DAYS	2008		2009		2010		2011		2012		2013	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
1	-3.72	-3.72	0.85	0.85	0.74	0.74	1.06	1.06	0.15	0.15	10.91	10.91
2	-7.03	-10.75	1.53	2.38	0.79	1.53	-0.10	0.95	1.44	1.59	-53.72	-42.81
3	1.18	-9.57	1.99	4.37	-0.17	1.36	-0.40	0.55	1.97	3.56	-29.52	-72.33
4	-10.54	-20.11	1.57	5.94	0.05	1.41	-0.20	0.35	-4.23	-0.67	-12.92	-85.25
5	-28.14	-48.24	0.32	6.26	0.39	1.81	0.11	0.46	1.74	1.07	-7.08	-92.32
6	2.55	-45.70	0.40	6.66	-0.81	0.99	-0.22	0.24	1.19	2.26	20.31	-72.02
7	-3.03	-48.73	0.19	6.85	0.16	1.15	-0.13	0.11	-0.05	2.21	-12.27	-84.29
8	-17.34	-66.06	0.80	7.65	-0.80	0.36	0.27	0.37	-1.12	1.09	-53.37	-137.66
9	-0.25	-66.32	0.12	7.76	0.29	0.64	0.00	0.37	1.16	2.25	237.72	100.06
10	6.44	-59.87	-0.38	7.38	-3.79	-3.14	0.22	0.60	1.09	3.34	-4.48	95.58
11	-2.16	-62.04	1.05	8.44	-0.01	-3.15	-0.26	0.34	-2.06	1.28	-12.92	82.66
12	-3.91	-65.94	2.05	10.48	0.14	-3.01	0.01	0.35	2.09	3.37	-8.30	74.36
13	1.30	-64.65	-0.03	10.45	-0.84	-3.85	1.00	1.35	-1.49	1.89	-25.04	49.32
14	7.98	-56.66	1.24	11.69	0.89	-2.96	-1.30	0.05	-0.67	1.21	2.04	51.36
15	-2.04	-58.70	0.01	11.71	1.77	-1.18	-0.50	-0.45	-1.06	0.15	-5.47	45.89
AVERAGE	-3.91		0.78		-0.08		-0.03		0.01		3.06	
STD.DEV	9.20		0.77		1.24		0.57		1.78		68.03	
CO.VAR	-235.08		98.64		-1575.34		-1905.59		17627.71		2223.76	

It is clear from the Table 6 that after the dividend announcement, the risk is highest in the year 2012 and Average Return is highest in the year 2013 among the Non-banking sector banks.

TABLE 7: AVERAGE RETURN, STANDARD DEVIATION, COEFFICIENT-VARIANCE & CO-RELATION OF RETURNS BEFORE AND AFTER THE DIVIDEND ANNOUNCEMENT OF PUBLIC SECTOR BANKS. (PERIOD OF STUDY FROM 2008-2013

Days	Before	Days	After
-15	-0.40	1	-0.17
-14	-0.12	2	0.64
-13	0.09	3	0.36
-12	0.42	4	0.58
-11	0.28	5	0.70
-10	-0.09	6	0.16
-9	0.39	7	0.14
-8	-0.03	8	-0.26
-7	0.41	9	-0.23
-6	0.11	10	0.58
-5	0.29	11	0.67
-4	0.00	12	0.85
-3	0.03	13	-0.37
-2	0.27	14	-0.01
-1	0.33	15	-0.60
AVERAGE	0.13		0.20
STD.DEV	0.24		0.46
CO-VAR	180.94		227.86
CO-RELAT		0.0419	

It is found in the above table that the risk is highest during after the dividend announcement and average return is highest before the dividend announcement date, among the public sector bank.

TABLE 8: AVERAGE RETURN, STANDARD DEVIATION, COEFFICIENT-VARIANCE & CO-RELATION OF RETURNS BEFORE AND AFTER THE DIVIDEND ANNOUNCEMENT OF PRIVATE SECTOR BANKS. (PERIOD OF STUDY FROM 2008-2013

Days	Before	Days	After
-15	-0.48	1	0.68
-14	0.33	2	0.31
-13	0.71	3	0.32
-12	0.31	4	-0.01
-11	0.67	5	0.35
-10	-0.14	6	0.23
-9	0.25	7	0.32
-8	-0.35	8	0.62
-7	-0.49	9	-0.07
-6	-0.32	10	0.50
-5	0.21	11	0.16
-4	-0.64	12	0.11
-3	0.29	13	0.16
-2	0.22	14	0.86
-1	-0.09	15	0.54
AVERAGE	0.03		0.34
STD.DEV	0.42		0.26
CO-VAR	1326.99		77.00
CO-RELAT		-0.04569	

The above table reveals the fact that the risk will be more before the dividend announcement date and average return will be more after dividend announcement under private sector bank.

TABLE 9: AVERAGE RETURN, STANDARD DEVIATION, COEFFICIENT-VARIANCE & CO-RELATION OF RETURNS BEFORE AND AFTER THE DIVIDEND ANNOUNCEMENT OF NON-BANKING SECTOR BANKS. (PERIOD OF STUDY FROM 2008-2013)

Days	Before	Days	After
-15	1.66	1	0.69
-14	-9.51	2	0.53
-13	-4.16	3	-0.37
-12	-4.38	4	0.41
-11	-5.44	5	0.41
-10	3.90	6	0.20
-9	-2.52	7	0.02
-8	-11.93	8	0.50
-7	39.84	9	-0.04
-6	-0.15	10	0.54
-5	-2.72	11	-0.26
-4	-1.32	12	-0.16
-3	-4.18	13	-0.27
-2	1.70	14	-0.20
-1	-1.21	15	0.16
AVERAGE	-0.03		0.15
STD.DEV	11.78		0.35
CO-VAR	-40985.54		241.34
CO-RELAT		-0.20101	

The above table reveals the fact that risk will be more before the dividend announcement and return will be more after the dividend announcement under non-banking sector.

FINDINGS OF THE STUDY

After analyzing the impact of dividend announcement on the returns of the stocks, the authors have drawn the following findings:

BANKING SECTOR

- It is found from the study that before the dividend announcement, the risk is highest in the year 2008 and Average Return is highest in the year 2009 among the public sector banks
- After the dividend announcement, the risk is highest in the year 2010 and Average Return is highest in the year 2010 among the public sector banks.
- Before the dividend announcement, the risk is highest in the year 2011 and Average Return is highest in the year 2009 among the private sector banks.
- After the dividend announcement, the risk is highest in the year 2010 and Average Return is highest in the year 2009 among the private sector banks.

NON-BANKING SECTOR

- It is found in the study that in the non-financial sector, before dividend announcement, the risk is highest in the year 2008 and Average Return is highest in the year 2009.
- After the dividend announcement, the risk is highest in the year 2012 and Average Return is highest in the year 2013.

The dividend announcement has an impact on the market price of the shares; the market will react positively, if the dividend is up to the expectation level of the equity investors. At the same time, if the dividend announcement is not the expectation level of the shareholders, the market reaction will in bear trend for that particular scrip. Based on the experiences of regulatory bodies around the world as well as the compulsions of domestic markets, in recent years the Securities and Exchange Board of India (SEBI) has initiated a number of reforms to make the Indian stock market at par with developed stock markets of the world. One of such reforms is compulsory quarterly earnings announcement and dividend announcements. The compulsory announcements will have an impact on the stock market. Researchers around the world have studied some of these impacts and it is considered as an event study. The present event study is concludes that stocks of banking and non-banking sectors performed better after the dividend announcement. Dividend announcements motivated the investors of these industries towards purchase of stocks of the companies. According to this study, the dividend announcement improves the market value of the firm.

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NIGERIAN JOINT VENTURE AGREEMENT AND PRODUCTION SHARING CONTRACT - PROS AND CONS: A REVIEW OF LITERATURE

DR. SANI SAIDU
RESEARCH FELLOW
ABERDEEN BUSINESS SCHOOL
ROBERT GORDON UNIVERSITY ABERDEEN
UNITED KINGDOM

ABSTRACT

Most oil and gas producing states adopt Joint Venture Agreement (JVA) or Production Sharing Contract (PSC) for the exploration and exploitation of their petroleum resources. Legitimate stakeholders in the sector assess the extent of returns and benefits as well as pros and cons associated to each of the agreement in order to determine the most appropriate agreement between the two in the context of their country. Thus, this study reviewed and assessed joint venture agreement and production sharing contract adopted by Nigeria in the course of exploring its petroleum resources. In particular, the study gauged pros and cons of the two agreements (PSC and JVA) with the view to assessing which between the two agreements is appropriate for Nigeria taking environmental characteristics into consideration. A literature based methodology was adopted, whereby provisions of the two agreements and other related literature were critically analyzed. The findings suggest that, taking Nigerian environmental characteristics into account, Production Sharing Contract is most appropriate for the exploration of Nigerian oil and gas resources compared to the Joint Venture Agreement.

KEYWORDS

Joint Venture Agreement, Multinational Oil Companies, Nigerian National Petroleum Corporation, Production Sharing Contract.

1.0 SYNOPSIS OF NIGERIAN OIL AND GAS SECTOR

Right from late 1960s Nigeria is increasingly moving from agricultural economy to mono dependent economy, particularly petroleum resources. Thus Nigeria's economic and social performance has totally depended on oil and gas. Presently, oil and gas accounts for 40 percent of the country's GDP, 70 percent of budget revenues, and 95 percent of foreign exchange earnings, Nigeria's dependence on petroleum is much greater than many major oil producing countries (EIA, 2014). To this effect, a brief overview of Nigeria's petroleum sector, right from pre to post-colonial period is given in the following sections.

1.1 PRE-COLONIAL PERIOD

The search for crude oil began in Nigeria as far back as 1908, when a German company the Nigerian Bitumen Corporation explored for oil in the Araromi area between Ijebu Ode in the present Ogun State and Okitipupa in the present Ondo State (Nwokeji, 2007). This pioneering effort was terminated at the outbreak of hostilities between Britain and Germany in the First World War in 1914. Given the fact that Nigeria was under the territorial control of the United Kingdom, and Germany's loss of the war, the German company's operations were not resumed after the war (Gidado, 1999). The British colonial rule has impacted and still impacting over the Nigerian oil industry, because it was under British rule when the first discovery of oil in commercial quantity was made in 1956 at Olobiri, in Present River State (Atsegbua, 1999). The shell-BP got this opportunity to sign an agreement from their brother British government. Thus during the whole colonial period only British companies and those of other western nations were duly permitted by the Britain to engage in oil production (Gidado, 1999 and Frynas and Mellahi, 2003) therefore shell-BP employed their expertise rapidly and made first export within the next three years, that's 1958, in which production reached about 5,000 barrels per day, so Nigeria had to make it is first shipment of crude oil to Europe same year. This had really encouraged Nigerian government to put more interest in the oil sector instead of earlier traditional practice particularly agriculture.

1.2 POST-COLONIAL PERIOD

Shell-BP hitherto monopoly, has virtually started gotten threat by a new policy of granting licenses to other major and minor companies Atsegbua (1999) highlighted that with the repeal in 1958 of sec 6(1) of the mineral oil ordinance of 1914, which disqualified non-British companies from receiving oil exploration licenses, the monopoly of exploration right given to shell-BP in 1938 was gradually broken. This was a tremendous effort by the independent government of 1960, which has immensely reduced the level of over dependence on one favored company. Belgore (2003) further added that some other foreign oil companies were attracted in the exploration/development activities in the country, such as Mobil Oil, Texaco, Agip; the Italian state owned company as well as its France counterpart of Safrap which later became Elf. The appearance of this multinationals oil companies have really open up new phase of advancement in the Nigerian oil industry. According to Gidado (1999) in 1994 the Gulf oil company made the first the off shore discovery of oil in Delta state. Nigeria increasingly re-involving itself in the oil and gas activities formally dominated by the Multinational Oil Companies (MOC), Prior to 1971 the principal legislation under which companies operate was mineral act 1914 in which their profit was tax in accordance with the petroleum tax act 1959 (Gidado 1999) therefore the involvement of the government was very limited. But following it is registration as a member of Organisation of Petroleum Exporting Countries (OPEC), Nigeria was committed to taking stake in the general activities of oil companies (Gidado 1999) therefore different structural reconstructions were made in the industry, which led to the formation of Nigerian National Oil Corporation (NNOC) and later merge ministry of petroleum resources with it and formed Nigerian National Petroleum Corporation (NNPC) in 1997. On one hand, it is common knowledge that most of the oil and gas producing states are developing nations and are incapacitated technologically and financially (Nwokeji, 2007). Irrespective of this financial and technological incapacitation, the countries did all possible to maximize revenue from the endowed natural resources (Johnston, 1994). In consequence, these countries search for an ideal fiscal regime that will help them maximize the said revenue from the potential operations. Two of the most effective and efficient frequent used regimes adopted by most oil producing states are Production Sharing Contract (PSC) and Joint Venture Agreement (JVA). Johnston (2003) defines the former "PSC" as a contractual agreement between a contractor and a host government whereby the contractor bears all exploration costs and risks and development and production costs in return for a stipulated share of the production resulting from this effort. This type of agreement has two major characteristics; (i) entire exploration risks are borne by IOCs, and receive no compensation if no oil is found; and (ii) both the resources and installations are owned by the host country (Smith et al, 2000). On the other hand, joint venture is an agreement by two or more entities to jointly share resources, benefit and cost within legal entity (Johnson and Houston, 2000). Similarly, Black and Dundas, (1993) had earlier defined Joint Venture Agreement as a critical relationship that involved two or more natural or legal person, combining property and expertise to carry out a single business enterprise in which they have a single propriety interest, a joint right to control and share profit and lost. Hence, this study aims at reviewing and assessing joint venture agreement and production sharing contracts adopted by Nigeria in the course of exploring its petroleum resources. In particular, the study will critically gauge pros and cons of the two agreements (PSC and JVA) with the view to assessing which between the two agreements could be most appropriate for the country taking environmental characteristics into consideration.

2.0 OVERVIEW OF NIGERIAN JOINT VENTURE AGREEMENTS

Having seen the continual domination of MOCs in the Nigerian petroleum sector particularly in the early stage of the operations, Nigeria realizes the need for total participation in the exploration and production activities in the oil sector, whereby the government is authorized under petroleum act 34(a) to participate in all licenses and leases granted since 1969. The country was re-motivated by OPEC resolution of 1968, where all oil exporting countries were advised to involve fully in oil and gas production operations through joint venture agreement, which will enable them to share in ownership and control over their resources (Nwokeji, 2007). The Nigerian joint petroleum operations are mainly between Nigeria National Petroleum Corporation (NNPC) and MOCs, these MOCs include; Shell, Chevron, Total, Phillips, Elf and Agip, and in each venture NNPC has the largest equity and acts as a non-operator while MOC act as an operator (NNPC, 2014). The MOCs function as operators include conducting operation in a safe, technically sound and financially prudent manner and are also expected to prepare and implement work program and budget, provisions of report and information to the non-operators (Nigeria) (NNPC, 2014).

2.1 BENEFITS OF JOINT VENTURE AGREEMENTS IN NIGERIAN PETROLEUM SECTOR

As discussed earlier, Joint Ventures are a common mode of doing business in the international oil industry, where companies' partners up for large scale or for high risk venture in order to diversify good risk management (Johnston, 2003). Black and Dundas, (1993) posited that JV agreement possess certain qualities that none of contract does, as both the parties have certain role to play, in terms of monitoring the activities of one another, therefore under JV agreement accountability is collective responsibilities as both the parties involve has the legal rights and responsibilities to discharge for the benefit of the enterprises (John and Ashley 2001). Joint ventures and alliances are important forms of inter-organizational cooperation because they allow parties to achieve complex mutual tasks, otherwise impossible using simple arm's-length contracts, but without actually acquiring one another (Moskaley and Swensen 2007). In addition, JV agreement helps in achieving not only the business aspect of the contract but the economic, social and general aspects (Moskaley and Swensen 2007). In his course of explaining non-financial benefits attach to JVA, McPherson, (2004) earlier elaborates non-financial objectives of JVA to include: development of indigenous capacity (acquisition of managerial and technical expertise and operating experience); influence over domestic procurement; superior access to industry information; and policy implementation. Of course in many cases developing countries relied on these benefits while presenting reason of adopting JV. According to Berg et al. (1982), there are three primary reasons for the creation of joint ventures: (1) the creation of greater market power by combining resources or generating economies of scale; (2) the avoidance, reduction, or sharing of risk; and (3) the acquisition or sharing of information. Kent, (1991) further added that the two reasons are enough to inter in to joint ventures, first in order to overcome cultural, political, or legal impediments, or to meet host country requirements and lastly to manage rivalry in an industry by turning potential competitors into allies.

Furthermore, Lung, (2006) argues That JVA has rapidly increased during the past decade, providing benefits and opportunities to staying competitive and the possibility of participating in long-term projects. He further added that JV has played a tremendous role in minimizing international differences, particularly, through provision of join management. This of course has been the case in Nigeria as the country persistently learns from MOCs activities. Nonetheless, literature indicates that actors within the country's petroleum sector need to enhance their operational skills (Nwakeji, 2007). This position was earlier posited by Gidado, (1999) where he argued that Nigerian JVA has exposed the country's personnel in virtually every aspect of the operations; such as right to ownership, decision making, and acquisition to requisite technology and managerial and technical skill. It emerged from the above discussions that JVA is very important for a less develop country like Nigeria considering the total number of benefits the country derives from the venture.

2.2 PROBLEMS ASSOCIATED WITH JOINT VENTURE AGREEMENTS IN NIGERIA

Upon all the benefits associated with the joint venture agreement, literature and experiences indicate that the arrangement has certain inherit problems. Firstly, it is arguably posited that inadequate financial and technological capability forced most developing countries to engage into a joint venture agreement. However, due to complex requirement or nature of this agreement, particularly financial contribution (cash call) and other related requirements, many developing countries like Nigeria with mono source of income and different projects to implement couple with high population rate find it difficult to meet these requirements. Thus, inability to meet this requirement considered to be the most challenging issue in governing a successful joint venture agreement.

Secondly, insecurity in an area where petroleum operations are been conducted is one of the problems hindering a smooth running of a joint venture agreement. This in particular, includes instability or misunderstanding between the contributing parties or amongst host communities. The consequence of insecurity and misunderstanding between the contributing parties to JVA is that they share the cost and consequences resulting from securing or condoning the unexpected instability. Indeed, if the parties haven't initially made provision for these challenges prior to the commencement of the JVA, the budget and expenditure will definitely increase. Therefore, the parties to the JVA found the decisions difficult. Nonetheless, participating parties to this type of agreement take political and general atmosphere of the potential exploration areas into consideration before establishing a joint venture agreement. This has been considered a major challenge for the parties intending to form a joint venture agreement.

3.0 PRODUCTION SHARING CONTRACT: A DEVELOPING COUNTRIES' NEW DIMENSION

Production sharing contract is an arrangement whereby the company bears all the risks of exploration, and is often in charge of the operations and management of the contract area, when oil is discovered in commercial quantities the company is entitle to recoup its investment from the crude oil produced in the contract area (Smith et al, 2000 and Omorogbe, 1986). This type of agreement was initially devised by Dr Ibru Sutowo (Johnston 1994) and Indonesia is believed to be the first country to apply it to petroleum operations (Barrows, 1993). Right from it is inception a significant acceptance is been recorded especially in the developing countries. Walde (2002) argued that "It has become, over the last 30 years, probably the most dominant form of granting access to oil and gas exploration and development to international petroleum companies in developing countries". Thus nearly half of the countries practice PSC (Johnston, 1994). This increasing acceptability of PSC must not be in connection with the non-commitment of cost and risk attached to the entire system (Ayoola, 2007). Discussing from political point of view, Pongsiri (2004) stressed that PSCs are widely used in developing and transitional economies as they are in line with government aspirations to be more proactive and involved in managing the oil and gas resources.

3.1 OVERVIEW OF NIGERIAN PRODUCTION SHARING CONTRACTS

Production Sharing Contract is the second accepted and largest contractual agreements adopted in Nigerian petroleum sector (Nwokeji, 2007). As the level of oil and gas production and exploration activities increases, Nigeria continues weighing all the available means of reducing risk and increasing return (Nwokeji, 2007). On this note Nigeria diversified its options by engaging PSC in addition to the existing JVA, indeed, the country engages more than eight companies in this agreement. PSC was first introduced in Nigeria in 1973, in a contract between Nigerian National Oil Corporation, the predecessor of the NNPC and Ashland Oil Nigeria Company for OPL 98/118 for duration of 20 years and renewable for another five years. Under this contract the Ashland is to provide all technical and financial requirements, until the oil is discovered in commercial quantity (Gidado, 1999) The First round of the PSCs were executed in 1993 and the second round in 2000.

3.1.1 BENEFITS OF PRODUCTION SHARING CONTRACT TO NIGERIAN ECONOMY

Most of the developing countries are not capable of meeting daily needs of their citizens, not to talk of having surplus for investment, even though they have natural resources such as oil and gas. Agreements like joint venture as earlier pointed out, needs huge amount of capital (cash call), this mandatory equity contribution seems to be problem to virtually most of the developing countries. In his argument Ayoola (2005) stress that PSC in developing country like Nigeria proved to be more beneficial than any other contractual agreements, because lack of sufficient capital (cash call) distorted not only the contract (JV) but the entire budget of the fiscal year, he further noted that under (PSC) the concession belongs to the government through NNPC and also operators bear the cost, risk of exploration, development and operation, in addition contract can be terminated at no cost to the government when there is no oil found. Smith et al, (2000) added that one of the primary goal of PSC is to attract multinational corporations that will risk their capital and indeed, use of the technological expertise to develop a country's reserves for eventual operation by delegation of the sovereignty. Of course any developing country that is been successful in securing MOC might enhance the level of it is technology and improve the employment status of citizenry. On the other hand, most of the developing countries decide to engage in PSC because of the nature of resource control. Therefore Gidado (1999) said the ultimate responsibility for control and management of the enterprise, in principal at least is in the hands of the host country. Thus contractor has no title to the oil deposit. Bindemann (1999) and Gallun et al, (2001) urges that PSAs are distinguished from other types of contracts in two ways. First, the FOC carries the entire exploration risk. If no oil is found the company receives no compensation. Second, the government or host country owns both the resource and the installations. Many benefits as well are being attributable to PSC, enjoyed by host country, such as high tax, profit oil and so on. Pongsiri (2005) stresses that in addition to royalty, petroleum income tax, and profit split, a PSC also contains a clause covering special advantages that a contractor may offer to the government in return for being awarded the contract. These advantages normally offered are items such as scholarships, training, grants to government authorities or educational institutions, production bonuses, domestic market obligations (DMO), and public participation options. In addition to that David and Hodgshon (1999) perceive that the key factor influencing the attraction of PSC for most government include the receipt of significant revenues from day one of production through production sharing mechanism and the exercise of control over the operations without direct participation. Even though the benefits are view from different angle by many researchers.

Kemp (1987) argues that the fiscal and financial arrangement between host country and the contractor may be influence by wider government objectives, though most of the non-contractors have common motive such as obtaining high share of revenue, integration of fiscal system levied on petroleum exploration with the tax system applied across the economy in general. Moreover Kemp, (1987) further stress that host government may be not only to increase the state take but to increase the local ownership on national resources. In his submission Walde (2002) argues that PSC helps in exposing national oil and gas business as early as possible to competition and mean while introduce as much objectivity and transparency as possible. Pongsiri (2005) equally added that this could maximize accountability of the inevitable decision making that must be left with the state such as licensing, tax collection, and rule and regulation implementation for public interest issues, e.g. safety and the environment.

One of the most interesting features and merit of PSC as stated by Gidado (1999:159) is that it frees the host country from directly bearing the cost of the initial operations since all are borne by MOC thereby allowing the country's resources channeled in to another pressing engagement. Most of developing countries lack expertise, especially in petroleum activities, therefore utilizes every opportunities acquired or enjoyed such PSC to advance it technological expertise. Bindemann (1999) stress that among the factors countries considered in PSC are the benefit of technology transfer and termination of contracts at no cost to the government if no oil was found at commercial quantities. Yumiseva (2005) added that Production Sharing Contract could be design towards improving transparency in the management of oil and gas revenue. Of course these can be achieved through proper implementation of lied down rules (contracts) that stipulate each party's responsibility. To achieve contractual obligations, a theoretical considerations needs to be taken on the relationship between the principal (NOC) and its agent (IOC) during the contracting process and the way in which informational aspects are integrated in a contract to minimize the monitoring costs associated with the problems of moral hazard and adverse selection (Pongsiri, 2004).

3.1.2 PRODUCTION SHARING CONTRACTS AND INHERENT CHALLENGE IN NIGERIA

Production sharing contracts are virtually practice by developing countries alone. Many people believed that it just signifies the in ability of the countries rather than benefits. Hassan (2005) stress that the relative success of the PSC model seems to lie into government political and to the company commercial satisfaction, rather than economic benefit or that petroleum is paid to the government in lieu of cash. Moreover, most of the countries leaders' uses it as excuse of avoiding JV because of the risk attached to it, such as cash call. Moreover many countries would have prepare to execute the entire exploration activities alone so as to reap the benefits alone but considering the surrounded challenges they had it necessary to involve the other party.

Pongsiri, (2004) stress that owing to difficulties in gaining access to risk capital and lack of expertise needed for resource exploration and development, most developing countries grant development rights to foreign companies, which have adequate capital, technology and expertise, including capabilities to manage investment risks towards their diversified portfolios. In the same vain, Hassan (2005) concluded that a review of countries by countries petroleum laws indicates that the Production Sharing Contract is popular in developing and transition countries. These countries have limited financial and managerial resources, but need to assert conspicuously the sovereignty. On the other hand, the Production Sharing Contract is absent in countries where foreign investment in oil and gas does not affect national sensitivities such as all developed and liberalization countries. It is really a challenge for the developing countries, while formulating its contractual terms, to consider the surrounding factor that might affect the attraction of the other party. Even though every fiscal and structuring and taxation aim is to capture all economic rent but also is good to provide a sufficient return to the oil companies. Johnston, (2003) highlighted that, although the objective of host government is to maximize wealth from its natural resources by encouraging appropriate levels of exploration and development activity, but these can only be accomplished when it design a fiscal system that provide a fair return to the industry, avoid undue speculation, provide flexibility and create healthy competitive and market efficiency. This shows the level of assessment and challenge developing countries take in to consideration in order to attract MOC before adopting a fiscal system.

Nature of supervision, executing and general monitoring of exploration and production activities determines the power and level of control in any relationship. In contrary PSC is been executed by the operator (MOC) alone, this signifies a loophole, even though there is element of monitoring, but in most cases is not sufficient due to informational asymmetry. To avoid these uncertainties and asymmetric information, the principal (NOC) needs to design an incentive contract that induces the agent international oil company (IOC) to undertake actions that will maximize the principal's welfare (Pongsiri, 2004). Production sharing contracts are one of the most popular forms of contractual system used in petroleum agreements around the world, but the manner in which the fiscal terms are presented seems to be complicated and not well understood (Kaiser, 2006). This complication has to do with the general allocation of resources, such cost oil, profit oil, taxation and any sort of revenue distribution. Gallun, et al (2001) stress that the evaluation of cost and allocation of the revenues are likewise issue that involves considerable accounting attention. Thus developing countries lack expertise and any technological advancement. Moreover the lukewarm attitude towards running the activities of the contract are seems to be undermined.

4. CONCLUSION

This study reviewed and assessed joint venture agreement and production sharing contracts adopted by Nigeria in the course of exploring its petroleum resources. In particular, the study looked at pros and cons of the two agreements (PSC and JVA) with the view to assessing which between the two agreements is most appropriate for the country taking environmental characteristics into consideration. It is argued that for a party to successfully enjoy a bilateral relationship in the joint venture agreement that party has to have adequate financial and non-financial resources (Nwokeji, 2007). This is because JVA is a relationship that parties share cost and benefits in an agreed proportion. It is obvious that Nigeria may find it difficult to contribute the required financial obligation (cash call). The country's alleged involvement in corruption practices, the high population and corresponding uncountable demands by the citizens from the little and squandered resources generated by the country make cash contribution unattainable. Hence, the country may find it very difficult to meet its JVA obligation. Equally, considering the countries of lack technological progress, it is hard to believe that Nigeria can contribute technologically into venture. This incapacitation makes it difficult for the country to be a good partner in a JVA. However, this may not be good for the country in the near future as it may not learn much from the operations. Indeed, looking at Nigeria's contemporaries, such as Malaysia, Brazil and Saudi Arabia, one can posits that Nigeria as a country that has been in petroleum operations for more than 50 years has really been backward. On the other hand, discussion within the study indicated that production sharing contract is an agreement whereby contractor bears all the risk and cost involved in petroleum exploration and production activities. This signifies that the host country, such as Nigeria bears no any risk, particularly cash contribution and human resource involvement. This had made it easier for third world countries that have little financial and technological capabilities. In this regard, it is arguably fair to conclude that production sharing contract is most appropriate fiscal regime for Nigeria.

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EFFECTS OF SUPPLY CHAIN COLLABORATION: A STUDY OF AUTOMOBILE MANUFACTURING COMPANIES IN INDIA

ASAD ULLAH
SENIOR RESEARCH FELLOW
DEPARTMENT OF BUSINESS ADMINISTRATION
ALIGARH MUSLIM UNIVERSITY
ALIGARH

ABSTRACT

Researchers, consultants and practitioners are of the view that manufacturing companies should collaborate with their suppliers and customers. This paper seeks to investigate the same in the context of automobile manufacturing companies in India. This paper examines the collaborative relationship between automobile manufacturers with its suppliers and customers with the view of finding the effects of supply chain collaboration. It is based on the survey results of 192 responses received from logistics managers of various automobile manufacturing companies registered under society of Indian automobile manufacturers (SIAM). The results of the study demonstrate the positive effect of collaboration in supply chain. However, some of the barriers need to be addressed. This research is based on single industry/country, therefore generalization of the results to other industries or country may be limited. Lower logistic cost, improvement in services and increase in competitiveness are the main effects observed as a result of supply chain collaboration in automotive industry. Therefore, managers and practitioners can learn to obtain optimal benefits from this kind of relationships. The value of the paper lies in the fact that this study is an attempt to fill the large gap between case study based results and empirically tested ones.

KEYWORDS
Automotive Industry, Collaboration, Effects, Supply Chain, India.

1. INTRODUCTION

According to Min et al., (2005) the concept of collaboration has been widely examined across disciplines like Psychology (Konczak, 2001; Stern and Hicks, 2000); Marketing (Gadde et al., 2003; Jap, 1999, 2001; Perks, 2000); Management (Cross et al., 2002; Sawhney, 2002; Singh and Mitchell, 2005); Sociology (Powell et al., 2005) and supply chain management (Holweg et al., 2005; Tuoninen, 2004).

In SCM review and computer science corporation (SCMR and CSC, 2004) collaboration has been cited as the most important issue. It is being increasingly promoted like "Silver Bullet" in many areas of SCM (Kampstra et al., 2006). Hence, there is no denial of the fact that collaborative practices in the logistics area have become the source of efficiency and decision–makers in the manufacturing and retailing industry have understood it.

In SCM, Collaboration is a dominant concept aimed at gaining benefits and sharing results with the trading partners (Speakman et al., 1998). According to (Bowersox and Closs, 1996; Chan et al., 2003) the emphasis on the effectiveness of Supply chain in its entirety has eliminated the boundaries of the single firms and has promoted them for collaboration between supply chain partners, leading to the establishment of strong relationships with each other. Therefore, Myhr and Speakman (2005) have described it as "*A Critical linking pins*, *as greater specialization brings in more of integration in the overall supply chain*". Taking the broader view Bahinipati et al., (2009) has defined it as "*A business agreement between two or more companies at the same level in the Supply chain or network in order to allow greater ease of work and cooperation towards achieving a common objective*".

In the words of Whipple et al., (2002) it means partners working together, in a trustful, loyal and mutual environment aimed at reducing costs, misuse of equipment and resources and improving performance. It is seen as a powerful instrument in achieving effective and efficient supply chain management (Fu and Piplani, 2004; Mentzer et al., 2000). Collaboration in supply chain has been conceptualized in various ways by researchers, as it can range from very shallow transactional focused to highly integrated close relations (Goffin et al., 2006); from collaborative communication to supplier development (Oh and Rhee, 2008) or from inward facing to outward facing (Frohlich and Westbrook, 2001).

2. LITERATURE REVIEW

Logistics collaboration in supply chain has dual effects i.e. positive and negative. In the logistics and management literature, collaboration has been linked to a wide variety of benefits like higher quality and lower costs, improved logistics services, sharing of risks and overall improvement in performance. On the other hand, the literature is also rich in examples, where collaboration has been linked to negative outcomes, like it increases the vulnerability to opportunism by the chain members; the firm can forego the chance of building economies of scale and low cost position. It may also lead to knowledge dependence leading to lose in the capabilities of building and specifying the products outsourced.

Highlighting the positive effects of supply chain collaboration, Chapman et al., (2002) has reported that true collaboration between supply chain partners may result in joint knowledge creation, expertise sharing and understanding of the other party's intentions and strategic approaches. These authors have also noted that by building collaborative relationship with supply chain partners, firms could expect improvement in revenue, costs and operational flexibility to cope with high demand uncertainties. There have been number of publications in particular promoting the benefits of collaborative approaches like lower costs, high efficiency, high profit margins, reduction in cycle times, learning and exchange of knowledge and competitive advantage over other supply chains (Bowersox, 1990; Cohen Kulp et al., 2004; Dyer and Singh, 1998; Howleg et al., 2005; Mentzer et al., 2000).

Similarly, many recent research studies have shown collaboration leading to improved supply chain performance in several core areas like sales, forecasts, information sharing, cost, inventory and customer services (Angulo et al., 2004; Barratt and Oliveira, 2001; Daugherty et al., 1999; Industry directions, Inc and Syncra Systems, Inc, 2000; Waller et al., 1999).

Further, Stank et al., (2001) has indicated that "*Collaboration contributes to the excellent supply chain performance by reducing firms logistical service related costs and enhancing cash flow*"(Stank et al, 2001). Collaboration has been found to reduce purchasing costs and helps in operational problem solving (Cannon and Homburg, 2001). Another study by Simatupang and Sridharan (2005) has found out that higher level of collaboration between supply chain members led to better operational performance and innovative activities, especially in various areas of logistics activities like new product development, process improvement, inventory management, transfer of technology, service delivery and capacity planning. Brady, 2003; Humphrey and Schmitz, 1996; Premaratne, 2001; observes that companies working collaboratively with a network of capable customers and suppliers provide access to resources, skills and markets not available to industry rivals. Also, it is believed that companies which are able to effectively collaborate with their suppliers and customers outperform those companies which do not do so (Christopher, 1999; Frohlich and Westbrook, 2002).

Many authors like Baratt, 2004; Fearne et al., 2006; Skjoett- Larsen, 2003; Stank et al., (1999 a, b) have provided empirical evidences supporting the benefits of collaboration in the supply chain. For example, in a global sample of 322 manufacturing companies, it was found out those manufacturers who focused on strong integration with suppliers or customers known in the literature as "*Supplier- Facing*" or the "*Customer-Facing*" companies showed improved performance across all measures. Similarly, several companies like Hewlett- Packard, IBM, Dell and Proctor and Gamble have worked closely with their partners to capture the advantages of collaboration (Barratt and Oliveira, 2001; Callioni and Billington, 2001; Dell and Fredman, 1999; Parks, 1999).

One of the finest examples of how collaborative benefits can be accomplished is that of General Motors. After struggling during the 1990s, it entered into collaborative relationship with CNFInc (Management Company of global supply chain services) and Vector supply chain came into existence representing joint venture between CNFInc and GM. The employees at vector were responsible for designing, implementing and managing GM supply chains components, work in progress and finished vehicles. This helped GM in focusing on their core competencies. Similarly, automakers Honda and Toyota have exemplified the collaboration enabled business model. Particularly, Honda depends upon its SC for sourcing about 85% of the value of its cars from suppliers Nelson et al., (1998). Impressive results have also been reported from the other companies too. For example K-mart while collaborating with Bell sports (a manufacturer of cycling helmets) have been able to increase sales by 20% and decrease in safety stock by more than 15%.
Some of the benefits as identified in the literature, arising from collaboration and linked to supply chain activities are presented in table 3.3:-

SUPPLY CHAIN ACTIVITIES	COLLABORATION BENEFITS
Procurement	✓ Less time searching for new suppliers and tendering. ✓ Easier management of a reduced supply base. ✓ More stable prices.
Inventory management	✓ Lower stock holdings. ✓ Increased asset utilization.
Product design & New product development	✓ Faster product development. ✓ Knowledge sharing & increased innovation capacity. ✓ Better quality following from involvement of supplier in design.
Manufacturing (planning)	✓ Increased product quality. ✓ Minimize supply disruptions.
Order processing	✓ Increased responsiveness.
Distribution	✓ Faster delivery. ✓ Flexible delivery.
Sales	✓ Rapid access to markets. ✓ Increased market share. ✓ Improved promotional events.
Demand management	✓ More accurate forecasts. ✓ Joint resolution of forecast exceptions.
Customer service	✓ Improved product availability. ✓ Improvements in lead times.

Source: Matopoulos et al., 2007 (177-186).

However, despite the positive effects of collaboration among companies, according to Krause (1999), collaborative practices are not appropriate for every business relationships. The risk of failure has been identified as one of the most important risks in collaboration which may include significant loss of investment in money, time and delay in business plans. Further, the issue of dependence has been regarded as the most complex one as companies to a greater or lesser extent start relying on other companies across a number of processes. Another negative effect of collaboration is the increase in operational complexity. For example "*a company supplying to two other companies i.e. one with whom having collaboration and other not, may end up running two separate supply chains*". According toDas and Teng (2000), Emberson and Storey (2006), Madhok and Tallman (1998), Wittmann (2007) collaborative relationships have high instability rates and tend to fail at excessively high rates. Thus to conclude the discussion regarding the effects of logistics collaboration in supply chain by undergoing through the two streams of literature it can be said that these relationships are difficult to achieve and has not been understood well. Perhaps, Sabath and Fontanella (2002, p.24) have been able to best capture the contributions of collaboration as "*Supply chain collaboration is at the same time the most used, the most frequently mis-understood, the most popular and the most disappointing strategy that has come along to date*".

3. OBJECTIVES OF STUDY
The objective of this study is to find out the effects of logistics collaboration in supply chain
(manufacturer- customer, manufacturer- supplier and manufacturer-supplier-customer) in the context of automobile manufacturing companies in India.

4. RESEARCH METHODS
4.1 QUESTIONNAIRE
The method used to collect data in this research is the questionnaire survey. The questionnaire was developed in several stages. Firstly, a paper-based version of the questionnaire draft was pre tested with three subject experts and two industry experts. This was done to cross verify the contents, structure and nature of the questions asked in the questionnaire and improve validity (Mitchell, 1996). Then it was pilot tested, were it was send to the 46 logistics managers working in the automobile manufacturing companies (registered under SIAM) in India. Based on their valuable comments, the questionnaire was further refined and after some minor design changes, a web-based questionnaire was used to collect the data reported in this paper. Due to the nature of the questions the logistics managers were identified as being the single most knowledgeable person to provide the required information.
4.2 DATA COLLECTION
The data for this study was obtained from 36 Indian auto mobile manufacturing Companies as automotive industry in India is one of the largest in the world and one of the fastest growing globally. Also, this industry has for a long time had closely linked supply chains requiring collaboration between the supply chain partners, Zirpoli and Caputo (2002). The Indian automotive industry is also suitable for survey research as this study required a large sample size. Also, due to the nature of the questions the logistics managers were identified as being the single most knowledgeable person to provide the required information. Using the snow ball sampling technique of data collection, the questionnaires (Web-based) were emailed to the suitable respondents.
The overall sample comprised 288 logistics managers of which 210 responded. While, after discarding the questionnaires with incomplete information, 192 responses were found suitable for further analysis giving a satisfactory response rate of 66.6%.

5.1. ANALYSIS AND FINDINGS
In order to analyse the data the researchers have used SPSS (Version 20) software and appropriate statistical tools. The analysis is divided into two parts. The first part describes the sample and the second part deals with the analysis based on the hypothesis on the effects of logistics collaboration across organisational variables.
A. DESCRIPTION OF THE SAMPLE
Q1.

		Frequency	Percent
Valid	YES	52	27.1
	NO	140	72.9
	Total	192	100.0

The above table shows that there are higher percentages of non group of companies.

Q2.

		Frequency	Percent
Valid	SMALL	129	67.2
	MEDIUM	43	22.4
	LARGE	20	10.4
	Total	192	100.0

From the table it is clear that there are higher numbers of respondents from the small size companies.

Q3.

		Frequency	Percent
Valid	SOLE PROPRIETOR	62	32.3
	JOINT VENTURE	65	33.9
	PARTNERSHIP	65	33.9
	Total	192	100.0

It is clear from the above table the type of owner ship is almost equally distributed, with joint venture and partnership type of ownership almost having the same percentage of respondents.

Q4.

		Frequency	Percent
Valid	2-Wheelers	48	25.0
	3-Wheelers	43	22.4
	Commercial Vehicles	68	35.4
	Passenger Vehicles	33	17.2
	Total	192	100.0

From the table it is evident that large number of responses has been received from the companies dealing in commercial vehicles, followed by the two wheelers.

CROSSTAB

Size of the company * Nature of Collaboration

Count

		Nature of Collaboration			Total
		Triadic	Dyadic-Customers	Dyadic-Suppliers	
Size of the company	SMALL	40	36	53	129
	MEDIUM	26	12	5	43
	LARGE	17	3	0	20
Total		96	51	45	192

The above result clearly shows that majority of the small companies are engaged in triadic collaboration in contrast to larger ones. Since the data sample was drawn through random sample from a multinomial distribution, chi-square test was carried out and result is shown in the table below. These results indicate that statistically there is a significant relationship between size of the company and type of collaboration (chi-square with four degree of freedom = 19.416, p = 0.001.

CHI-SQUARE TESTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.416[a]	4	.001
Likelihood Ratio	23.802	4	.000
Linear-by-Linear Association	18.679	1	.000
N of Valid Cases	192		

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.69.

Nature of ownership * Nature of Collaboration

Count

		Nature of Collaboration			Total
		Triadic	Dyadic-Customers	Dyadic-Suppliers	
Nature of ownership	SOLE PROPRIETOR	22	28	12	62
	JOINT VENTURE	41	11	13	65
	PARTNERSHIP	31	14	20	65
Total		94	53	45	192

The below result shows that except sole proprietorship, joint venture and partnership prefer triadic collaboration to dyadic ones. As the data sample was drawn through random sample from a multinomial distribution, chi-square test was carried out and result is shown in the below table. These results indicate that statistically there is a significant relationship between nature of ownership and nature of collaboration (chi-square with four degree of freedom = 10.490, p = 0.001.

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.490[a]	4	.033
Likelihood Ratio	10.335	4	.035
Linear-by-Linear Association	.718	1	.397
N of Valid Cases	192		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 14.53.

The below result shows that except passenger vehicles, 2-Wheelers, 3-Wheelers and commercial vehicles prefer triadic collaboration to dyadic ones. As the data sample was drawn through random sample from a multinomial distribution, chi-square test was carried out and result is shown in the below table. These results indicate that statistically there is a significant relationship between types of segment and nature of collaboration (chi-square with six degree of freedom = 23.877, p = 0.001.

Types of segment * Nature of Collaboration

Count

		Nature of Collaboration			Total
		Triadic	Dyadic-Customers	Dyadic-Suppliers	
Types of segment	2-Wheelers	21	15	12	48
	3-Wheelers	16	12	15	43
	Commercial Vehicles	48	15	5	68
	Passenger Vehicles	11	9	13	33
Total		96	51	45	192

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.877[a]	6	.001
Likelihood Ratio	25.471	6	.000
Linear-by-Linear Association	.366	1	.545
N of Valid Cases	192		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.73.

B. Hypothesis based on effects of logistics collaboration across organizational variables.

Null hypothesis	**Test**	**Sig**	**Decision**
H01: There is no significant variation in the effect of collaborative practices on cost with the size of the company.	Independent Samples Kurskal- wallis test	0.452	Accepted
H02: There is no significant variation in the effect of collaborative practices on cost with the type of ownership of the company.	Independent Samples Kurskal- wallis test.	0.000	Not Accepted
H03: There is no significant variation in the effect of collaborative practices on cost with the type of segment in which the company deals with.	Independent Samples Kurskal- wallis test.	0.117	Accepted
H04: There is no significant variation in the effect of collaborative practices on services with the size of the company.	Independent Samples Kurskal- wallis test.	0.543	Accepted
H05: There is no significant variation in the effect of collaborative practices on services with the type of ownership of the company.	Independent Samples Kurskal- wallis test.	0.042	Accepted
H06: There is no significant variation in the effect of collaborative practices on services with the type of segment in which the company deals with.	Independent Samples Kurskal- wallis test.	0.004	Not Accepted

IMPACT OF COLLABORATION

		Frequency	Percent
Valid	Company has Lower Cost	138	71.9
	Partner has Lower cost	54	28.1
	Total	192	100.0

More than 70 % of the respondents believe that collaboration has impacted their company in a positive way and have helped the company in reducing the cost while close to 30% respondents believe that it is their partners who availed maximum benefit out of the collaboration.

		Freq	%
Valid	Service Vis-a-Vis our partner has improved	80	41.7
	Alone received better received	48	25.0
	our service vis-a-vis customer improved	51	26.6
	Our service vis-a-vis suppliers improved	13	6.8
	Total	192	100.0

40 % of the respondents felt that collaboration has lead their company to enhance their services vis.-a-vis. their partners while close to 27% respondents believe that their company's services have improved vis.-a-vis. their customers.

		Frequency	Percent
Valid	Increased Cooperation	138	71.9
	Other companies got more info	27	14.1
	Little better service	10	5.2
	others	16	8.3
Total		192	100.0

A major chunk of the sample (i.e. 72%) posit that collaboration lead them to an enhanced cooperation amongst partners with efficient controlling and better service.

Surprisingly, 37% of the respondents feel that in future they won't be collaborating with their partners. Although the majority is in support of collaboration, 1/3rd denial for the same is a cause for serious concern and necessary factors need to be explored to find out the hidden causes and solutions thereof.

Q8.

		Frequency	Percent
Valid	YES	121	63.0
	NO	71	37.0
	Total	192	100.0

On the basis of the benefits derived from the collaborative practices and its positive effectives. Most of the respondents wants to continue there collaborative relationship at the same level. Where as there are considerable number of respondents who wants that collaborative relationship should grow further.

Q9.

		Frequency	Percent
Valid	Same Level	115	59.9
	Grow	74	38.5
	Terminate	3	1.6
	Total	192	100.0

MANAGERIAL INSIGHTS

It is not surprising that this study pertaining to the collaborative practices in supply chain among the automobile manufacturers in India has significant effects. However, findings suggest that although the effects of collaboration have been positive and beneficial for the manufacturing companies, it is not so much encouraging for their partner's i.e suppliers and customers. Also, this study is an attempt to fill the large gap between the case based generalizations and the empirically tested once. This study makes a significant contribution in the se3nse that it highlights the needs for removing certain barriers and challenges which act as a deterring factor in fulfilling the cent percent goals of collaborative practices.

CONCLUSION

On the basis of the findings and results of the data, it can be said that small size manufacturing companies are more inclined towards collaborative practices as compared to larger ones. Furthermore, the companies having joint venture and partnership type of ownership prefer to have more or less all kinds of collaborative relationships, which indicate that those who are already having some kind of partnerships are inclined further towards collaborative practices.

Also, it has been found that after collaboration, the automobile manufacturers have been able to reduce cost and was able to provide better services to their collaborating partners, which vindicates the findings suggested by the literature. Thus, the positive effects of logistics collaboration in supply chain in the context of automobile manufacturing companies have been established, however some bottlenecks needs to be removed.

FUTURE RESEARCH DIRECTIONS

This study indicates towards several potential future directions in the field of collaborative supply chain management. As this paper is based on the results of the data collected from the Indian automobile manufacturing companies, this research could be applied to different manufacturing industries in India and also across the world. Additionally, effects of collaboration might be only one important factor, which has been studied in this research .Other factors such as driving forces, barriers, role of information sharing and supply chain planning activities can be explored. Therefore, it is suggested that more efforts are required to understand the complex nature of collaborative supply chains, so that organisations gain more insights leading to their improvement in performance.

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RELATIONSHIP BETWEEN SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

ASHWANI K. GUPTA
RESEARCH SCHOLAR
DEPARTMENT OF BUSINESS ADMINISTRATION
D.D.U. GORAKHPUR UNIVERSITY
GORAKHPUR

DEEPAK SONI
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
D.D.U. GORAKHPUR UNIVERSITY
GORAKHPUR

ABSTRACT
This research work discusses how our environment has great importance for our life and planet. So it must be given great importance for its safety. As per as our present understanding the Sustainability is essential for all of us to survive and it is essential to bring into play the sustainable development ideology in every part of our life. Sustainable development is a development that does not wear down environmental, public or political aspects on which it depends, but it clearly approves environmental restriction in the trade and industry action framework and it has full understanding for support of our requirements. This paper summarizes the circumstances for sustainable development, ways, processes and techniques to solve the ecological problems and the responsibility of corporate houses at the environmental part.

KEYWORDS
sustainable development, corporate social responsibility.

INTRODUCTION
About decades ago the single motto of corporations were to do business and get profit but at present they are facing many new challenges, ideology of sustainability is one of them, it means fulfill the requirements of present generation without affecting the ability of future generations to fulfill their own needs. Now this discussion has been spread out that the corporate houses should take responsibility for the processes and methods of their business which affect the societal and natural environment. They are suggested to use sustainable ways to perform their operations. Sustainability addresses all those ways of performing the business operations that exhibit the attention on social and ecological issues. To comprehend and improve present activities, the socially accountable corporate houses are now modifying their policies, processes and procedures of business. These critical changes need national and international organizations to come up to their business in provisions of sustainable development, and both individual and organizational management plays a key role in this transform. Therefore the corporate responsibility or sustainability is important characteristic of the business and society philosophy, addressing points of business ethics, business social performance, global corporate citizenship, and relationship management.

In recent time sustainability has turn out focus of various CSR concerns. Sustainability was initially perceived as preserving the natural resources. The World Commission on Environment and Development published a landmark action plan for environmental sustainability. The commission, named after former Norwegian Prime Minister Gro Harlen Brundlandt, defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their needs." organizations are now challenged by their stakeholders including employees, customers, investors and activists to develop a blueprint for how they will sustain financial prosperity while captivating concern of their human resources and the harmony of nature. This concept gets more importance because at the same time the major investors are suggested to make sure about CSR issues while they are going invest in a company.

OBJETCTIVE OF THE STUDY
The objective of the study is to redefine the sustainable development and social corporate responsibilities of the company. To explore out the evolution of the concept of the sustainable development and the corporate social responsibility. To establish and describe the relationship between the corporate social responsibility and sustainable development.

CONCEPT OF SUSTAINABLE DEVELOPMENT (SD) AND ITS EVOLUTION
Due to the having influence on every part of our life and its holistic approach sustainability has been defined in many different ways and meaning but the most accepted definition of sustainable development came in to light in 1987 from the Brundtland report "Our common future"

"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

This definition perceived the world as whole or as a system where we have a limited resources and unlimited needs and wants. Further it emphasis that these limited resources are capable to meet our desires and also to meet the needs of our successors but there are some limitations for it such as we should be careful while using these precious natural resources. The manner we use these resources should be based on sustainability principles so that it may secure its existence and natural form while and after meeting the needs of human being. Sustainable development continually strives to attain social and economic development in such manner that will not deteriorate the earth's limited natural resources. The requirements of the human race today are genuine and immediate, yet it's essential to build up new ways to meet these needs that do not ignore the future requirements. The capacity of our environment is not boundless; it means that upcoming generations may not be capable to meet up their wants the manner we are capable to now. Here, in this reference a famous statement of Mahatma Gandhi has a great importance and well defines the sustainable development, "*The resources of our planet are sufficient to fulfill the need of all but greed of an individual.*"

Thus the sustainable development advocates about the balanced social, economic and environmental growth.

ECONOMIC, ENVIRONMENTAL AND SOCIETAL BALANCE

SUSTAINABLE DEVELOPMENT

ECONOMIC	ENVIRONMENTAL	SOCIETAL
➢ Households need	➢ Natural resources	➢ Sharing
➢ Services	➢ Biodiversity	➢ Equity
➢ Industrial growth	➢ Carrying capability	➢ Empowerment
➢ Agricultural growth	➢ Ecosystem integrity	➢ Social mobility
➢ Efficient use of labor	➢ Clean and green environment	➢ Cultural perpetuation

In this balanced approach of growth everyone has opportunity to meet their needs and at the same time they preserve our precious resources for our successors.

When we consider about the evolution of the concept of sustainable development we found that initially this concept was used in the field of forestry in form of its synonymous word sustainability. Both the terms are derived from the word "sustainable yield" which in term is a translation of the German term "Nachhaltiger Ertrag." According to the various facts it has been proved that the word sustainable development and sustainability had been used for the balanced relationship between natural resources and consumption in forest management and originally it's a modifying version of the word "sustainable yield". Its present version "sustainable development" and "sustainability" also has great influence of forestry and forest management as it concern with the natural environment and our natural resources but there is no doubt that at present it covers much more area of consideration including every part of our life i.e. individual, social, organizational, economical, political, technical, environmental etc.

We as a human being are surrounded by the environment. All our needs are fulfill by nature and our activities affect the environment, in the same manner corporate houses are an important part of our social, economical, political, and natural environment what they do as a economic and social being, affects our environment and also it got affected by its surroundings. It has been proved that whatever value and benefits an organization has is taken from the society, community and environment. Without the existence of these element or environment any business entity can't exist, its relation with society and environment is based on a mutual transfer of values. So in order to maintain this mutual relationship all the corporate has some ethical and social responsibility towards the society this is known as the "Corporate social responsibility (CSR)". Due to its large span of consideration area many other words are in use to define this concept such as "Corporate conscience", "Corporate Citizenship", "Social Performance" or "Social Responsible Business/ Responsible Business" etc.

Whatever word may be use to define it but all has almost same meaning that is organizations' sense of responsibility and commitment towards the environment and society. The World Business Council for Sustainable Development in its publication *Making Good Business Sense* by Lord Holme and Richard Watts, used the following definition.

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"

Thus the main theme and idea of corporate social responsibility is based on the betterment of society and it advocates about a clean and green planet. Besides of having all these benefits CSR concept also emphasis on the economical, social, and environmental equity and justice.

Initially, marketing and management were criticized as being incompatible with social and environmental issues. Then companies realized their responsibility towards the society and environment. The term corporate social responsibility comes into being in late 1950's and early years of 60's, but writing on this matters started from the 1969 when KOTLER and LEVY published their paper "Social Marketing Management". Their pioneering article subsequently stimulated research attention on social and ecological issues, after that a number of writers has written down a lot on this issue, "Societal marketing" (Lavidge 1970; El- Ansary,1974; Takas,1974), " Social responsibility and marketing" (Kotler and Zaltman, 1971; Davis, 1973), "Responsible consumption" (Fisk, 1973) "Ecological concerned consumers" (Kinnear et al. 1974) are some important work in this regards,

In the Indian context the CSR concept had been existed form ancient times in its different forms, values, approaches and practices. In the ancient and medieval time the religious and cultural values are the drivers of CSR. The corporate of India was performing their CSR through charity, religious and social donations, providing foods to pilgrims and poor people, assisting the girls' marriages of weaker section and trough many other such kind of activities. In modern era almost all prominent companies are aware about their responsibilities towards society and environment they are involved and carrying on several social welfare schemes, educational trusts, rural facility centers, and scholarship programs for the weaker section of society.

RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Sustainable development has become an integral part of corporate social responsibility because both the concept is based on the mutual principle that is give and take philosophy under the ethical and responsible constraint. The relationship between CSR and SD can be described under following grounds,

- Commitment towards stakeholders: The important stakeholders of a company are customers, investors, employee, suppliers, social partners, government, and prospective future generations. When company performs its operations and activities it creates many direct and indirect influences on its stakeholders because all the stakeholders are connected through a mutual value and objectives. For example if a beverage company is avoiding the sustainability and the health standards decided by government, it may cause a hazard for the environment and society at the same time its employee and supplier would also be bothered and if government imposed restrictions on it, the revenue of government would be negatively affected; on the other hand if company is complying the sustainable measurers it will create value to all its stakeholders.
- Managing corporate governance: An organization's governance and management practices affect its economical, social and environmental commitments. All the operations and activities perform by company is based on its strategies and governance. Companies that involve the sustainable principles and ways its vision and mission are considered more socially responsible companies and they are not only able to create extra values for society and natural environment but also they have better opportunities to be involved in a different line of responsible corporations. This position of company yield it added value at local and global stage.
- Business conduct and ethics: companies business conducts and ethical values have direct relation with sustainability and its CSR policies. For example, if an organization is following ISO standard while conducting its business it would be considered as a dedicated organization for its Socio-economic responsibility. Complying the health, environmental, energy, and social ethics means the organization is serious to follow the sustainability principles and through all these way they are doing well at the part of their corporate social responsibility.
- Contribution in the sustainable development of nation: companies are also analyzed through their commitment and contribution in the development of nation through sustainable ways. These are the natural expectation from corporate houses that they will bring economic development, employment, basic facilities, social prosperity and educational awareness in the country, but at recent time the it is also being expected that the corporate houses should perform the work of energy conservation, environment protection, more efficient waste management and approaching green ways to do their business operations so that the national development can be achieved through the sustainable ways.

Almost all the major corporate houses are aware about their corporate social responsibilities and they are performing it through sustainable manner. Some practical examples;

- Being one the largest beverage companies Coca-Cola India was criticized for its unsustainable manner of performing its business. Several environmental experts and activists impose a number of charges of being insensitive about natural resources and integrity. Now According to the company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had decided to implement a wide range of initiatives to improve the quality of life of its customers, the workforce, and society at large. The company continued to champion various initiatives such as rainwater harvesting, restoring groundwater resources, and going in for sustainable packaging and recycling, and serving the communities where it operated. Coca-

Cola planned to become water neutral in India by 2009 as part of its global strategy of achieving water neutrality. However, criticism against the company refused to die down. Critics felt that Coca-Cola was spending millions of dollars to project a 'green' and 'environment-friendly' image of itself,

- Tata India group is also known for its performing its corporate social responsibility in sustainable manner. This important corporate group along with its various companies has taken a number of CSR initiatives for social and natural sustainability. Tata steel is now involved in following programs,

SOCIAL SUSTAINABILITY

Creating employment is a first step in creating social sustainability. By the end of March 2008, in Europe, the Tata Steel Group had directly employed 41,200 people – and thousands more indirectly through contractors and suppliers. The Group also actively stimulates regional employment through UK Steel Enterprise, a wholly owned subsidiary, which helps to support the economic regeneration of communities affected by changes in the steel industry. Since its establishment in 1975, UK Steel Enterprise has invested almost £68 m in new and expanding businesses and £29 m in managed workspaces, supporting over 4,440 small businesses and creating over 67,300 new jobs.

Healthcare initiatives: In its Indian operations, Tata Steel continued to provide curative, promotive and preventive healthcare services to improve levels of health amongst the community. During the course of the year, approximately 1, 45,600 persons from both urban slums and remote, rural areas were treated by the company’s mobile medical units. Tata Steel also organized the 13th Lifeline in Joda to reach out to remote villages. This ‘hospital on wheels’ provides curative interventions, including surgical operations. In the year gone by, more than 2477 patients were treated and 395 surgeries were conducted and 358 aids and appliances were distributed.

HIV/AIDS prevention – a focus area the treatment and prevention of HIV/AIDS continued to be an area of focus and priority. Tata Steel has received much global acclaim for its interventions in HIV/AIDS. During the year, the Kavach Project, which aims to arrest the spread of HIV/AIDS among long distance truck drivers, was awarded the Golden Standard Certificate for its Khushi clinic by the Transport Corporation of India Foundation. This year Tata Steel has also received TERI Corporate award for HIV/AIDS.

- Reliance industries limited’s (RIL) contribution to the society are in areas of health, education, infrastructure development (drinking water, improving village infrastructure, construction of schools etc.), environment (effluent treatment, tree plantation, treatment of hazardous waste), relief and assistance in the event of a natural disaster, and miscellaneous activities such as contribution to other social development organizations etc. RIL's CSR teams across its manufacturing divisions interact with the neighboring community on regular basis.

A network of nine schools caters to 13,251 students spread across geographies in India. CSR teams from RIL's manufacturing divisions and E&P operations work ardently to support the educational requirements of the community and schools in the neighboring region benefiting thousands of students from the underprivileged section of the society. RIL has developed Community Medical Centers near most of its manufacturing divisions to provide comprehensive health services covering preventive, promotive and curative health care services to the community from neighboring villages.

FINDINGS AND CONCLUSIONS

So it has been established that in recent time the corporate social responsibility and sustainable development is abiding with each other and when we discuss about the CSR it means we are talk about the CSR in sustainable way. The sustainability is not only the issue of ecology and environment but it has become a social, financial, political and ethical issue where sustainability stands for much more broader concepts instead of standing for its narrow meaning that was restricted it only up to the uses of natural recourses. Every organization or company which wants to give its contribution in the development of nation and for the betterment of society should follow the principles of sustainability, in this way of serving the society and country they will have more strength in form moral and ethical support from the society and government and also they will be able to attract a new pool of customer and stakeholders who are not only aware about sustainability but also wants to be part of this kind of business and development model.

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HIGHER EDUCATION AND GROSS DOMESTIC PRODUCT IN INDIA: AN EMPIRICAL INVESTIGATION

TAMANNA KHAN
RESEARCH SCHOLAR
DEPARTMENT OF ECONOMICS
ALIGARH MUSLIM UNIVERSITY
ALIGARH

NASIM ANSARI
RESEARCH SCHOLAR
DEPARTMENT OF ECONOMICS
ALIGARH MUSLIM UNIVERSITY
ALIGARH

ABSTRACT

The study attempts to assess the growth of higher education in India over the period 2001-02 to 2010-11. Further the study examines the relationship between gross enrolment ratio (GER) in higher education and gross domestic product (GDP) at constant prices. In addition, an attempt is made to know the impact of GDP on total enrolment of higher education in India over the said period. The study depicts that, Indian higher education has witnessed phenomenal expansion during the last decade. Today, it has one of the largest higher institutions in the world and second largest in terms of enrolments. In spite of this, wide variations are observed in GER among different states and union territories in India. The correlation coefficient between the GER and GDP is 0.972 which suggests that two are positively correlated and highly significant. Finally, from the regression analysis it is also revealed that the GDP has significant positive impact on the growth of total enrolment in higher education in the country. Against the findings of the study, it is suggested that public policy should be directed towards the expansion of higher education system in the country. Further, to derive utmost benefits from higher education both by the individuals and society at large, variations in the access of higher education among states and union territories in the country should be eliminated.

KEYWORDS

Higher Education, Universities, Colleges, Teachers, Enrolments, Gross Enrolment Ratio and Gross Domestic Product.

1. INTRODUCTION

In the global knowledge-based economy, education in general and higher education in particular is universally recognised as a form of investment in human capital that yields economic returns and contributes to nation's future wealth. In this knowledge intensive world driven by information technology, primary education is a must but the importance of higher education cannot be ignored because higher education, being at the apex of educational system, is an essential input for meeting the manpower requirements of the highest calibre in crucial areas of national development. It is also an important contributory factor for ensuring social justice by producing vertical mobility to deprived sections of society by making higher levels of knowledge accessible them and in the process of improving the quality of life of the nation as a whole (Azad, 2002). Thus, higher education is one of the most important inputs that influence the all round development of any nation.

The correlation between economic development and the development of higher education, and the paramount importance of higher education to economic and social development in the knowledge-based economy, are almost universally accepted (World bank, 1994). It is widely accepted that without more and better higher education, developing countries will find it difficult to benefit from the global knowledge-based economy (World Bank, 2000).

India has made considerable progress in the field of higher education, particularly, in science and technology and having third largest number of scientific and technical personnel in the world. It has also become a major player in the knowledge-based global economy. Skill based activities have made significant contribution to this growth. Such activities depend on the large pool of qualified manpower that is fed by its large higher education system. Thus, it is now widely accepted that higher education has been critical to India's emergence in the global knowledge economy (Agarwal, 2009). During the last decade, higher education in the country has witnessed phenomenal expansion. Today the country has one of the largest higher education systems in the world in terms of institutions and second largest in terms of enrolments (Ernst & Young, 2012). It is against this backdrop, a modest attempt is made in this paper to analyze the growth of higher education in India over the last one decade (2001-02 to 2010-11).

The structure of the paper is as follows: Section 2 reviews literature on the relationship between education in general and higher education in particular with economic growth. Section 3 examines the growth of higher education in India. Section 4 discusses data sources and methodological issues. Section 5 reports the empirical results and discussion. Finally, section 6 presents summary and conclusion.

1.1 OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:-

1. To analyze the growth of higher education in India in terms of variables like universities, colleges, student enrolments and teachers over the period 2001-02 to 2010-11.
2. To find the relationship between GER in higher education institutions and GDP in India over the said period.
3. To examine the impact of GDP on total enrolment in higher education in the country over the period of study.

1.2 LITERATURE REVIEW

Several studies at national as well as international level have been organized to capture the effect of education on economic growth. Some of the studies are as follows: - Schultz (1961) estimated the contribution of education to economic growth with the help of the rate of return to human capital vis-a-vis the rate of return to physical capital. He arrived at the conclusion that education alone accounted for 21-40 per cent of increase in the national income growth in the U.S.A., over the period of 1929-1956 and increase in education per member of the employed labour force accounted for 17-33 per cent of income growth over the same period. Barro & Lee (1993) have studies the rate of schooling success in the adult population at various levels (primary, secondary and higher education) from 1960 to 1985 in 129 countries and concluded that levels of education have significant explanatory capacity. Education has direct positive relationship with the growth rate of GNP. Philip Steven (2003) finds the relationship between education and economic growth. The study analysis the role of education in the use of technology and suggests that education is necessary for economic growth and for learning new technology. Hanushek & Wobmann (2010) evaluated the role of education in promoting economic growth. First, education increases human capital inherent in the labour force which in turn increases labour productivity and as a result of this output increases to higher equilibrium level. Second, education increases the capacity to bring about innovation in the economy and new knowledge and new technologies, product and promotes economic growth. Third, education facilitates the dissemination of knowledge, which is necessary to understand new information and to successfully implement new technologies developed by others, again foster economic growth. Further, they emphasised on quality education as an important determinant to economic growth rather than mere school attainment and found that cognitive skills are more positively related to economic growth. The study conducted by World Bank (1994) shows that higher education is of paramount importance for economic and social development. Institutions of higher education have the main responsibility for equipping individuals with advanced knowledge, and skills required for positions of responsibility in government, business and the profession. Estimated social rates of returns of 10 per cent or more in many developing countries also indicate the investments in higher education contribute to increase in labour productivity and to higher long-term economic growth, which are estimated for poverty alleviation. In discussing the myriad ways in which higher education contributes to economic development in India, Tilak (2007) lists the following: improving earnings, alleviating absolute and relative poverty, influencing human development indicators such as infant mortality, gender parity and life expectancy. Thus, education in general and higher education in particular has high economic value. A considerable part of the community's wealth must be invested for the same. Investment in education leads to the formation of human capital, comparable to physical capital and social capital, and that makes a significant contribution to economic growth (Dickens *et al.,* 2006; Loening, 2004).

1.3 GROWTH OF HIGHER EDUCATION IN INDIA

The system of higher education in India is one of the largest in the world. The system of education in India inherited a poor educational infrastructure from the colonial masters. The colonial policy focused neither on mass education nor on higher education. As a consequence, the country had to begin from scratch soon after its independence (Rani, 2010). Higher education in India has expanded very fast after the independence. The government of India realized that the economic and social progress would be contingent upon the spread of education across the country. Several initiatives were taken including the setting up of the University Grants Commission, an autonomous body for the development and maintenance of standards in higher education, and establishment of several other institutions of technical and scientific excellence.

There has been a spectacular growth in the higher education sector in the post-independence period in terms of the three indicators, viz., (i) number of educational institutions (universities and colleges), (ii), number of teachers and (iii) number of students. The number of universities in India has increased by almost 28 times, from 20 in 1947-48 to about 564 in 2010-11. The number of colleges has registered 67 times increased from 496 in 1948 to 33,023 in 2010-11. The number of teachers has also gone up from around 24,000 in 1950-51 to 699,000 in 2010-11 depicting 29 fold increases. Similarly, student enrolment increased by 170[1] times, from a tiny base of 100,000 to a whopping level of 1, 69, 74,883 over the said period.

Table 1 and Figure 1 & 2 depict the growth of higher education in India for the period 2001-02 to 2010-11. In the year 2001-02 the number of universities was 272 which went up to 564 in the year 2010-11. The increase in the universities during the period was 2 times. The number of colleges also increased from 13150 to 33023 during the above said period. The increase in the colleges for the above mentioned period was 2.5 times. Similarly, total higher education institutions increased by 2.5 times during the said period. In 2001-02, enrolment in higher education institutions was 8821095 which increased by 1.9 times to a level of 16974883 in 2010-11. Teachers in higher education institutions also increased by 1.6 times from 427 to 699 during the above said period. Thus, it shows that higher education has expanded at a very fast rate during the last decade.

TABLE 1: GROWTH OF INSTITUTIONS, ENROLMENTS AND TEACHERS AT HIGHER EDUCATION INSTITUTIONS IN INDIA (2001-02 TO 2010-11)

Year	No. of Universities	No. of Colleges	Total HEI*	Student Enrolment	No. of Teachers ('000)
2001-02	272	13150	13422	8821095	427
2002-03	300	15343	15643	9516773	436
2003-04	320	16885	17205	10116330	457
2004-05	343	17625	17968	10763775	472
2005-06	355	18064	18419	11506475	488
2006-07	369	19000	19369	11612505	488
2007-08	416	20677	21093	13321817	505
2008-09	471	22064	22535	14467493	521
2009-10	504	25951	26455	15635360	589
2010-11	564	33023	33587	16974883	699
AAGR	8.5	11.0	11.0	7.6	5.8

Note: (a) *Total HEI (Higher Education Institutions) = Universities + Colleges.

Sources:

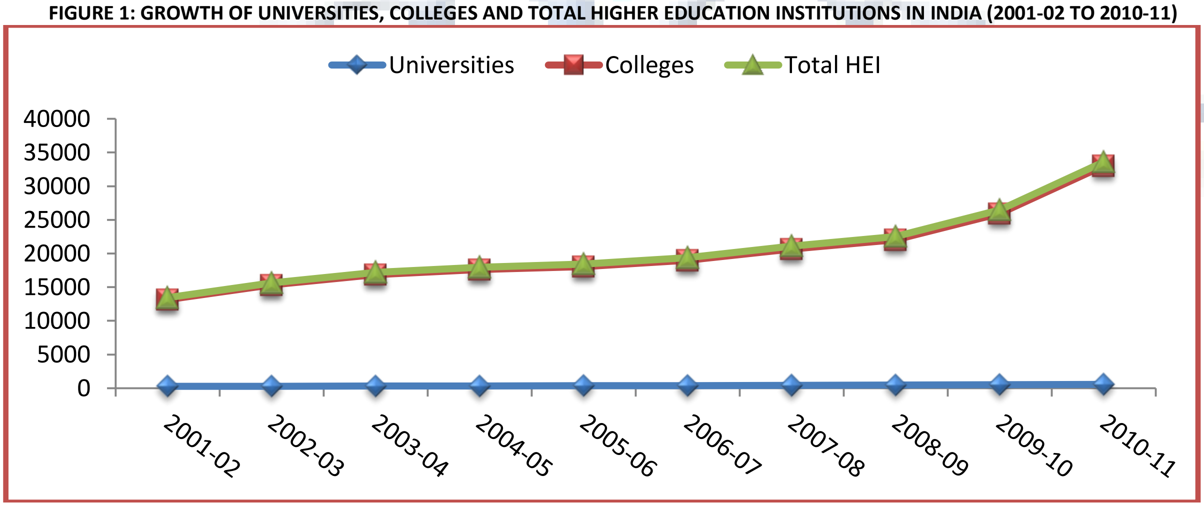
(i) UGC Annual Reports, Various Issues.

(ii) Kolhatkar, M. R. (2012). 'Survey of Higher Education (1947-2007)'.

(iii) Higher Education in India at a Glance (2012). UGC, New Delhi.

An analysis of growth trends in higher education during the period 2002-11 (Table 1) reveals that, it has witnessed high growth in the last decade. The number of institutions has grown at an average annual growth rate (AAGR) of 8.5 per cent while colleges and total higher education institutions has grown at an AAGR of 11 per cent. During 2002-11, enrolment in higher education has grown at 7.6 per cent while the growth rate of teachers was 5.8 per cent.

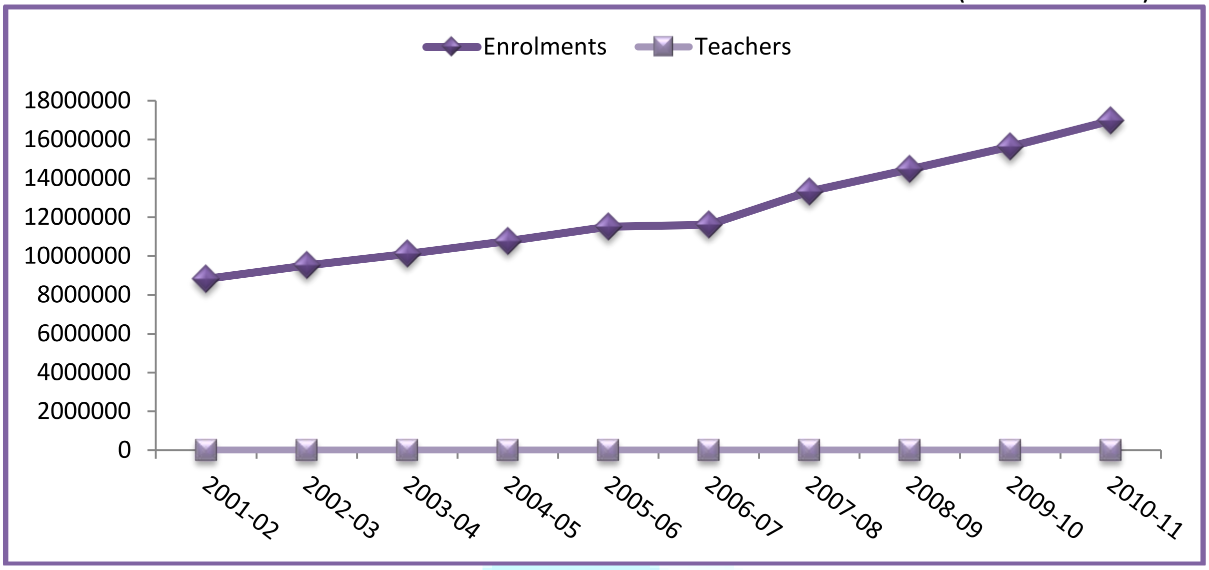
FIGURE 1: GROWTH OF UNIVERSITIES, COLLEGES AND TOTAL HIGHER EDUCATION INSTITUTIONS IN INDIA (2001-02 TO 2010-11)



Source: Table 1

1 UGC Annual Report (various years).

FIGURE 2: GROWTH OF ENROLMENTS AND TEACHERS IN HIGHER EDUCATION INSTITUTIONS IN INDIA (2001-02 TO 2010-11)



Source: Table 1

TABLE 2: DESCRIPTIVE STATISTICS ANALYSIS, 2001-02 TO 2010-11

Variable	Mean	Std. Dev.	Min	Max
Universities	391.4	95.03	272	564
Colleges	20178.2	5755.3	13150	33023
Total HEIs	20569.6	5847.5	13422	33587
Enrolments	12273650.6	2724257.6	88210958	16974883
Teachers	508.2	81.41	427	699

The descriptive statistics of all variables used in the study are provided in Table 2. The average for universities is 391.4 with a standard deviation of 95.03. It ranges from 272 to 564. The mean value of colleges is 20178.2, varies from a minimum of 13150 to a maximum of 33023 with standard deviation of 5755.3. The mean value of enrolments in higher education institutions is 12273650.6 with a standard deviation of 2724257.6 and mean value of teachers is 508.2 with a standard deviation of 81.41, ranges from 427 to 699. Table 3 reveals the distribution of universities & university Level Institutions in India.

TABLE 3: DISTRIBUTION OF UNIVERSITIES & UNIVERSITY LEVEL INSTITUTIONS IN INDIA

Types of University	India (As on 17. 09. 2012).
State University	299
Private University	140
Institutions of National Importance	39
Deemed University	130
Central University	44
Total	652

Source- ASHE, 2012.

The higher education landscape of the country is characterised by 299 state universities, 140 private universities, 130 deemed universities. Along with these universities, the country has 39 institutes of National Importance, (that specialize in the fields of engineering & technology, management, medical sciences, language, information technology, statistical research etc). In total the country has 652 universities and university level institutes that impart higher and technical education and provide affiliation to more than 33,000 colleges and institutes in the country. India is acknowledged to have the largest higher education systems in the world in terms of number of institutions and second largest higher education system in the world in terms of enrolments, after China. The private sector has played an instrumental role in this growth, with private institutions now accounting for 64 per cent of the total number of institutions and 59 per cent enrolment in the country, as compared to 43 per cent and 33 per cent respectively a decade ago. The government has also given the required thrust to the sector in its five year plans. Growth in private institutions has been significant during the 11th Plan period, with 98 private state universities, 13 private deemed universities, 6335 private colleges and 2321 private diploma institutions being set up during this period (ASHE, 2012).

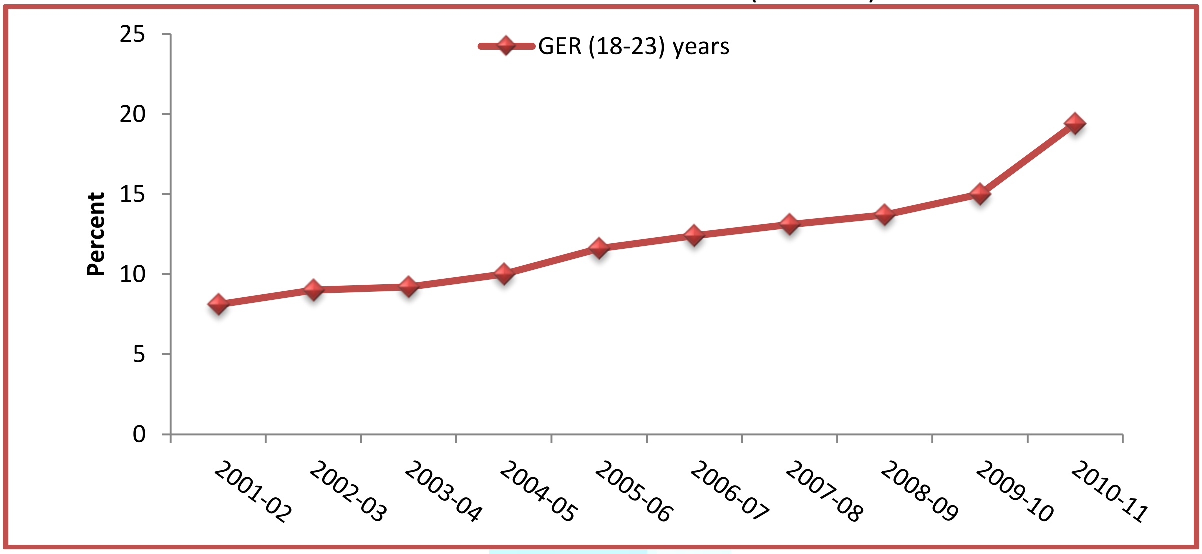
India has shown impressive growth in the number of institutes and enrolments in the country, it still faces challenges on several fronts including low and inequitable access to higher education, shortage of faculty, deficient infrastructure as well as low quality and inadequate research. Today, a key concern for India is the creation of an employable workforce to harness its demographic dividend to the maximum extent. To achieve this, the country needs an education system that can deliver quality in terms of a skilled and industry-ready workforce, without diluting focus on world-class research and innovation (Ernst & Young, 2012).

1.4 GROSS ENROLMENT RATIO IN HIGHER EDUCATION

The access to higher education is measured in term of gross enrolment ratio, (GER) which is a ratio of persons enrolled in higher education institutions to total population of the persons in age group of 18 to 23 years. Under this definition, the GER for higher education in India has increased from 8.1 per cent in 2001-02 to 19.4 per cent in 2010-11 (Figure 3). The national target was to increase the GER to 15 per cent by the end of the Eleventh Five Year period (2011-12), which has been achieved, and 30 per cent by 2020. While this goal requires higher capacity for intake, it also requires steps to improve access to higher education across gender and different social groups, and to bridge the rural-urban divide in order to ensure more equitable outcomes in educational participation (ASHE, 2012). Increased enrolments in the 11th Plan have enabled Indian higher education to cross the threshold of 15 per cent GER, moving the country from an 'elite' to a 'mass[2]' higher education system. Despite this growth, the unmet demand for access to higher education remains significant, indicating that a further expansion of access to higher education is required.

[2] Trow (1973) classified higher education systems worldwide according to their enrolments. He defined the 'elite', 'mass' and 'universal' states when the GER is 'less than 15 per cent; between 15 and 50 per cent; and more than equal to 50 per cent respectively.

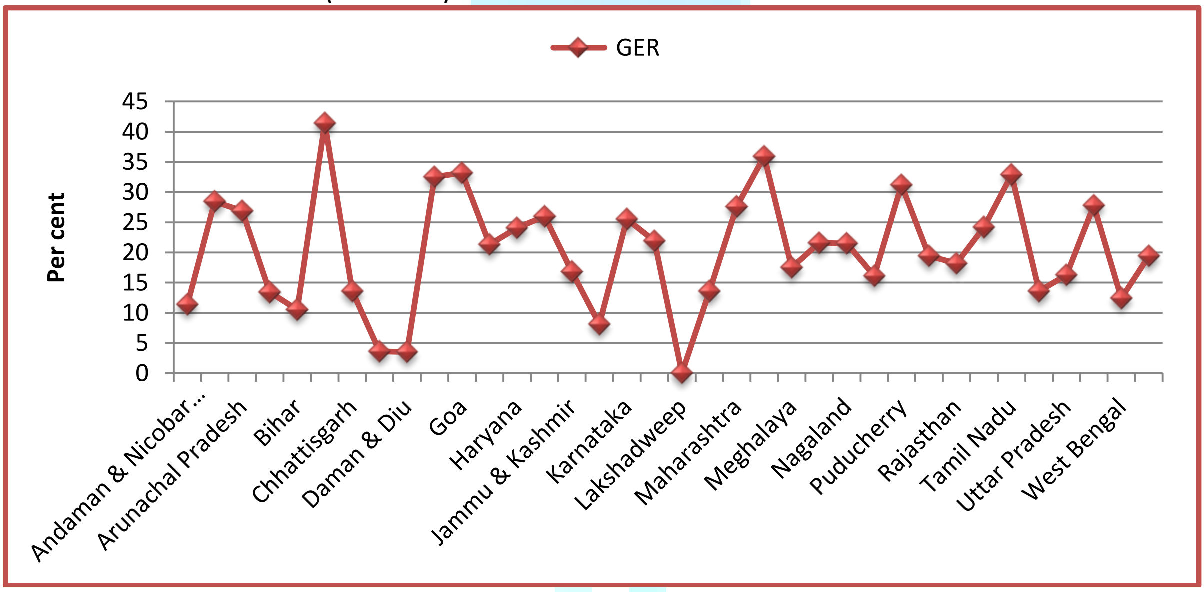
FIGURE 3: GER IN HIGHER EDUCATION IN INDIA (18-23 YEARS)



Source- Statistics of Higher and Technical Education, Various Issues.

Though the overall demand for higher education in India is increasing, there are wide variations in GER across states and union territories (see Figure 4). The GER at the higher education level ranges from as low as 3.5% in Daman & Diu to as high as 41.4% in Chandigarh. The GER is above national average of 19.4% in 19 states and UTs which includes Uttrakhand, Tamil Nadu, Puducherry, Andhra Pradesh, Arunachal Pradesh and Maharashtra etc and less than the national average of 19.4% in 16 states and UTs that include West Bengal, Tripura, Odisha, Madhya Pradesh and Jharkhand etc.

FIGURE 4: GER (18-23 YEARS) IN HIGHER EDUCATION ACROSS STATES & UNION TERRITORIES



Source- AISHE, 2010-11

1.5 DATA SOURCES AND METHODOLOGY

The study has used time-series data covering the period from 2001-02 to 2010-11. The variables used in the study have been collected from different secondary sources. These are collected from University Grants Commission (UGC) Annual Reports, Various Issues, Ministry of Human Resource Development, Higher Education in India at a Glance (2012), UGC, and Reserve Bank of India (RBI) Handbook of Statistics of Indian Economy, Government of India. Several indicators of the growth of higher education such as number of universities, colleges, teachers, enrolments and gross enrolment ratio (GER) are taken into consideration. To observe the growth of variables, we have used annual growth rate.

ANNUAL GROWTH RATE

Annual growth rate is computed by using the following formula:

$$G = \frac{Y_t - Y_{t-1}}{Y_{t-1}} * 100$$

Where,

G = Annual Growth Rate
Y = Value in period t
Y_{t-1} = Value in period t-1

Now, AAGR is calculated by adding all the annual growth rates and dividing it by the number of years. The AAGR is, therefore, the Arithmetic Mean of a series of growth rates. GDP at (2004-05) constant prices[3] is used as a proxy variable for economic growth in India.

The other statistical tool used in this study is as follows:-

[3] Whole sale price index (WPI) based on 2004-05 prices are used throughout this chapter to convert all the figures from current prices into constant (real) prices, based on the data drawn from Handbook of Statistics of Indian Economy: Reserve Bank of India (RBI), 2011-12. Thus, these figures in real prices are adjusted for increase in prices.

MEAN

$$\mu = \frac{\sum Xi}{N}$$

Where, i = 1, 2……..N

The standard deviation (σ) is calculated by using

$$\sigma = \sqrt{\frac{\sum(X-\mu)^2}{N}}$$

Where, $\sum(X-\mu)^2$ is sum of squares deviation from mean

N is number of observation

Further, the study uses **correlation coefficient** to know the relationship between GDP at constant prices and GER in higher education in India.

$$r = \frac{\sum xy}{N.\sigma x.\sigma y}$$

Where, r = Correlation Coefficient

x = (X - $\bar{X}$) and y = (Y - $\bar{Y}$)

σx = Standard deviation of series x

σy= Standard deviation of series y

N = Number of paired observations

To assess the impact of per capita gross domestic product (GDP) at constant prices on the total enrolment in higher education over the period of study, the study uses Ordinary Least Squares (OLS) methodology for the above mentioned period. All the variables have to be transformed into logarithmic form to obtain a linear model. Thus, we have the following linear model:

$LNTEH = \beta_0 + \beta_1 LNGDP + u_t$ (1)

$LNTEH_t$ = Natural logarithm of total enrolment in higher education institutions;

$LNGDP_t$ = Natural logarithm of Gross Domestic Product at constant prices;

β_0 & β_1 are parameters to be estimated and u_t implies the random error term.

1.5.1 LIMITATIONS

In some cases correlation coefficients were found to be statistically significant between two variables and concluded that one causes the other. Significant correlation coefficients are not necessarily a proof for cause-effect relationships and therefore they have their own limitations. However, a theoretical base or economic reasoning was supplied in such cases.

1.6 EMPIRICAL RESULTS AND DISCUSSION

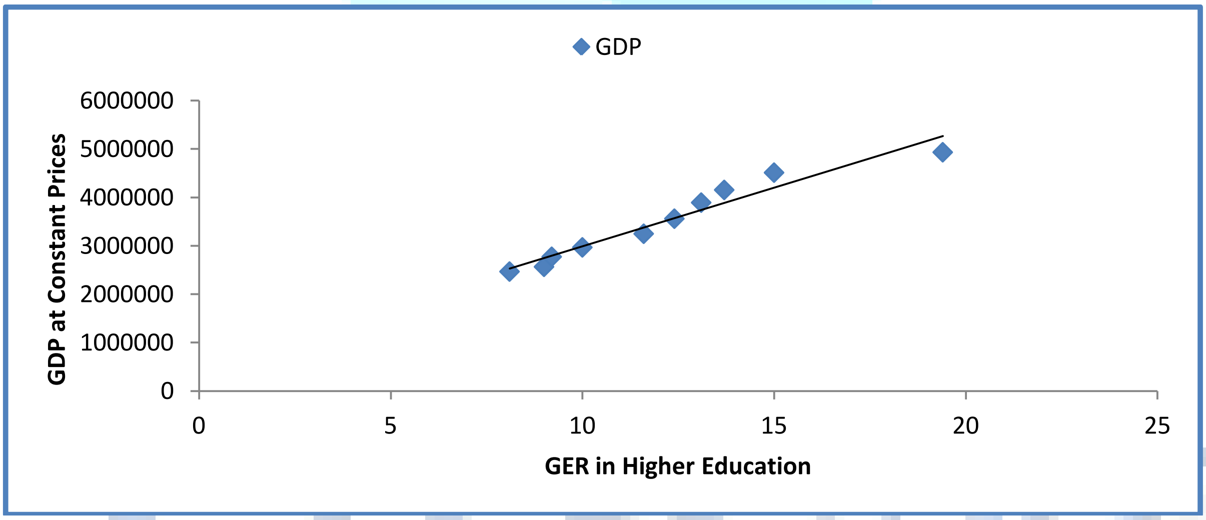
The relationship between GER in higher education and GDP at constant prices over the period 2001-02 to 2010-11 is given in Table 3 and Figure 5. The coefficient of correlation between GDP and GER is 0.972, which suggest that two are highly and positively correlated and the relationship is significant at one per cent level of significance. The study corroborates the finding of (Agarwal, 2006) that there is broadly a positive correlation between GER in higher education and per capita GDP of nations.

TABLE 3- CORRELATION BETWEEN GER AND GDP IN INDIA

Variables	Observations	Pairwise Correlation
GDP & GER	11	0.972*

Note: * Significance at 1% level of significance, ** Significance at 5% level of significance, ***Significance at 10% level of significance.

FIGURE 5: CORRELATION BETWEEN GDP AT CONSTANT PRICES AND GER IN HIGHER EDUCATION



Further, the study investigates the impact of $LNGDP_t$ on $LNTEH_t$. The value of coefficients measure the per cent change in dependent variable of $LNTEH_t$ with 1 per cent change in independent variable $LNGDP_t$. Table 5 presents the results of the regression analysis as OLS methods was used to estimate the coefficient value of explanatory variables to determine the enrolments in higher education institutions during the period 2001-02 to 2010-11.

TABLE 5: OLS REGRESSION RESULTS

Dependent variable	Independent Variable			
$LNTEH_t$	Intercept	$LNGDP_t$	F-statistics	R^2
	2.77 (0.002)	0.89 (0.000)	472.3 (0.000)	0.98

Notes: Level of significance ***, **, * are denoted as 1 per cent, 5 per cent and 10 per cent respectively. P values under brackets denote the probability of the level of significance.

The slope coefficient is statistically significant at 1 per cent level and the relationship between the variables is positive. It implies that in India, a one per cent increase in GDP contributes 0.89 per cent increase in total enrolment in higher education institutions. Moreover, F = 472.3 and P = 0.000 imply that the regression model significantly fits the data. Finally, R^2 indicates that about 98 per cent variation of enrolment in higher education can be explained by total variations in independent variable.

1.7 CONCLUSION

Education particularly higher education is critical input in human resource development and is vital for the country's economic growth and development. The main purpose of this study to examine the growth of higher education in India during the period of 2001-02 to 2010-11. First empirical analysis reveals that, higher education in India during the last decade has witnessed massive expansion. GER in higher education in India has also increased but there are wide inter-state disparities. Further, the study found that, there is strong and positive correlation between GDP and GER in India. Finally the study found a positive and significant impact of GDP at constant prices on enrolment in higher education. The result shows that a 1 per cent increase in GDP at constant prices will increase enrolment by about 0.89 per cent. In the light of the above discussions, it is suggested that public policy should be directed towards expansion of higher education in the country. However, to ensure the benefits of higher education among all sections of the society the wide variations in the access of higher education among states & union territories in the country should be eliminated by a coordinated effort of both government and other stakeholder's commitment.

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RURAL NON-FARM SECTOR IN INDIA AND THE ISSUES RELATED TO EMPLOYMENT AND POVERTY

SWETA SHARAN
RESEARCH SCHOLAR
P.G. DEPARTMENT OF ECONOMICS
RANCHI UNIVERSITY
RANCHI

ABSTRACT

Indian agricultural has witnessed structural transformation. The share of agriculture in GDP has constantly fallen since independence. On the other hand the share of non-farm sector has increased both in the employment and in GDP. But agricultural sector still, is the major employment providing sector. With declining share of agriculture in GDP and a somewhat higher share in employment has over the years increased problems for the rural sector. The expansion of non-farm sector certainly shows that its importance has increased as far as employment is concerned. But the rate of shift of population from farm to non - farm sector is quite slow. Poverty is a major concern for the entire country and for the planners from the very beginning. Government has always prioritised poverty alleviation with MGNREGS being the latest step in this direction. In rural areas poverty cannot be solved neither alone by agriculture or by non- farm sector. No doubt non – farm sector has large employment capacity but in India, agriculture dominates employment opportunities, hence making efforts to raise the productivity in this sector together with expanding non-farm sector can help in solving the problem of poverty in rural areas. The present paper throws a light on the role of agriculture as well as non- farm sector in Indian economy. It also analyses the situation of unemployment and poverty in rural area.

KEYWORDS

Agricultural production and productivity, Employment, Poverty, Rural Non-farm sector.

INTRODUCTION

India remains primarily an agricultural nation even after six decades of independence. Although the share of agriculture in GDP has fallen from 55.1% in 1950-51 to 17.1% in 2007-08 but it is still employing more than half of the total population. It clearly reflects the high pressure of population on land and the inability of agriculture in productively absorbing the growing rural labour force. Rural non-farm sector can become an alternative for rural development. Traditionally it was thought that people in rural areas are exclusively employed in agriculture. But number of evidences shows that rural income consists of various sources. A part of their income comes from agriculture and allied activities (animal husbandry, fisheries, forestry etc.) and a part comes from employment in mining, manufacturing, commerce, services etc. These nonfarm incomes can contribute significantly to total incomes of rural households in developing countries like India. Alleviation of Poverty has remained one of the major objectives of India's five year planning with Government of India explicitly considering it in the fifth five plan. The incidence of poverty is high for the whole country but it is higher for the rural areas. Given the rising productivity per worker in the non-farm sector, the problem of poverty can be handled in a better manner by expanding this particular sector especially in the rural areas.

REVIEW OF THE LITERATURE

The importance of non-farm sector was realised in the early 1970s. John Mellor in the early 1970s emphasized the close relationship between the agricultural and non-agricultural sectors in rural areas (Mellor and Lele, 1972 and Mellor 1976).

The N.S.S. estimates also show a constant increase in the share of non agricultural employment in rural areas. The share of male workers has increased both in secondary and tertiary sectors between 1972-73 and 1987-88 but the participation has increased more sharply in tertiary sector than in secondary sector.

Vaidyanathan (1983) estimated a regression of the importance of non-agricultural employment in total employment on farming income, its distribution, the importance of crash crops and the unemployment rate, using several state-level data sets for India. In all cases he found a strongly significant, positive relationship between unemployment and the importance of non-farm employment. Where agriculture was unable to provide widespread and gainful employment, the non-farm sector played an important role in picking up part of the gap.

Considering the role of farm activities and employment, Papola (1984); found that a relatively rapid growth of agriculture is unlikely to employ the entire rural labour force at reasonable levels of productivity and income.

At the broader country-wide level, Ravallion and Datt (1996, 1999) show that the effectiveness of nonfarm growth in reducing poverty has varied widely across states, reflecting systematic differences in initial conditions. In states with low farm productivity, low rural living standards relative to urban area, and poor basic education, poor people have been less able to participate in the growth of the nonfarm sector.

Expansion of the non-farm economy appears to have influenced agricultural wages in ruralIndia. Average daily wage rates in non-agriculture are found to be highest in states with high agricultural daily wages, as expected, a relationship which is confirmed in the more disaggregated district level study of Hazell and Haggblade (1990). Overall, wage rates in the rural non-farm sector were found to be higher than the agricultural wage, indicating that nonfarm activities are not mainly low productivity; residual activities in rural India (although one might expect such occupations to be under-enumerated in survey data due to their seasonal and self-employed character).

Also the importance of farm sector in overall development of rural areas has fallen over the years. A study done by Chadha (1993); shows that the contribution of agricultural sector in providing income for the rural household has been decreasing. At the national level the income generated from primary sector consisting of agriculture is steadily declining and that generated by secondary and tertiary sector in consistently increasing.

Another important link between the nonfarm sector and rural poverty occurs via the effect of the nonfarm sector on agricultural wage rates. Agricultural labourers are highly represented among the poor in rural India, and as a result increases in agricultural wage labour earnings are strongly associated with lower poverty (Datt and Ravallion, 1998).

In a study done by Papola and Sahu (2012); it was observed that the share of nonfarm sector in rural employment increased from 15 per cent in 1972-73 to 27 per cent in 2004-05. It further increased to 32 per cent in 2009-10.

The importance of non-farm sector in Indian economy has grown over the years and particularly after 1970s. There is no shortage of literature regarding importance and contribution of non-farm sector. It is clearly reflected that this sector has positive relationship with employment opportunities in rural areas. Although its linkages with poverty are not clearly specified but one can conclude that in long run the expansion of non –farm sector will help in reducing its incidence.

IMPORTANCE OF THE STUDY

The role of rural non-farm sector in the development of rural areas has been a matter of discussion from the very beginning. The inability of agriculture in gainfully employing the growing population has been well recognized from the above mentioned facts. This study focuses on the declining share of agriculture in Indian economy and tries to analyse how rural non-farm sector can absorb this growing population. Basically it tries to capture the structural transformation of Indian agriculture. Further this study also explains the incidence of poverty in rural areas and tries to answer how this problem can be solved.

OBJECTIVES OF THE STUDY

- To study the falling share of agriculture in Indian economy and growth of rural population.
- To study the expansion of rural non – farm sector with the help of census reports.
- To analyse the situation of employment in rural and urban areas and the share of various sectors in providing employment opportunities.
- To study the problem of poverty in rural areas and to examine the ways by which it can be solved.

METHODOLOGY

The above analysis is based on secondary sources of data. Government of India publications have been used. For all India figures on employment, various N.S.S.O. reports are taken. For figures related to poverty, data released by planning commission (Tendulkar committee) have been used. For data on non farm sector, census report and for other figures economic survey have been used. Certain data has been taken from individual studies.

DISCUSSIONS AND FINDINGS

Discussions basically relates to the performance of agricultural sector in India since planning. Firstly, production and productivity of agriculture has been analysed. Thereafter the growth and expansion of non - farm sector is shown. It can be said that the emergence of non-farm sector can help in providing employment to a vast section of marginal and landless labours as shown by the employment data. Lastly the incidence of poverty particularly in the rural areas is analysed.

AGRICULTURE AND RURAL INDIA

Indian agriculture has witnessed wide variations in growth performance in the last six decades. The variability is particularly due to the subsistence nature of farming in India and the dependence of agriculture on monsoons. The self reliance objective of planning was largely met with the advent of green revolution. The impact of green revolution was gradually reduced as we moved towards the later years of the last century. Economic reforms initiated in early nineties had a significant impact on agricultural sector, primarily due to the opening up of economy to external competition, liberalization of trade and deregulation of input and other sub-sectors. Agricultural growth decelerated during 1990s. We can analyse agricultural growth in following stages

- Phase I: Pre-green revolution Period (1950-51 to 1967-68)
- Phase II: Early green revolution period (1968-69 to 1980-81)
- Phase III: Period of wider dissemination, maturing of green revolution (1980-81 to 1989-90)
- Phase IV: Post-Reform Period (1990-91 to 2007-08). This period can be divided into two sub periods
    a) From 1990-91 to 1999-2000
    b) From 2000-01 to 2007-08

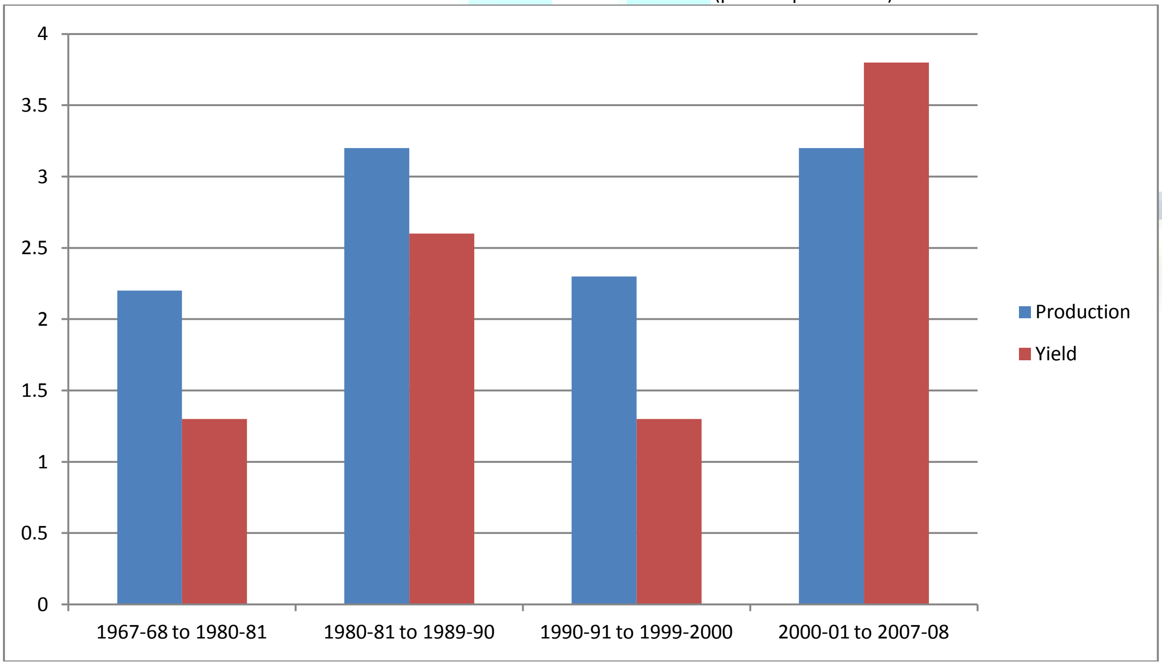
In the pre-green revolution period (1950-51 to 1967-68) the annual rate of growth in yield was 1.4%, with rice recording the most impressive growth rate in yield (2.1%) followed by wheat (1.3%). The green revolution started from the year 1966 and the effects of adoption of superior technology and institutional reforms were found to manifest from 1968-69 onwards. The subsequent period is classified as early green revolution period. Yield of all crops for the second period is 1.3%. The decade of 80s recorded highest yield growth so far of about 2.6%. During this period green revolution started spreading to more area and more crops. After registering an impressive performance during 1980s, agricultural growth rate decelerated during 1990s. Rate of growth of production of food grains fell from 2.9% per annum in 1980s to 2.0% in 1990s. This slump is widely perceived as an outcome of substantial diversion of resources away from agriculture to other sectors of the economy. Eleventh five year plan document stated that this deceleration has occurred in almost all states and covered all major crops. However, a significant recovery of growth was observed in the last few years that have pushed the decadal growth rates above 3 per cent. Thus, the growth series clearly establish the sharp deceleration of the agricultural sector in the post-reforms period and then a turnaround in the last years. The data related to agricultural production and productivity is shown in the following table and then it is graphically presented.

TABLE 1: ALL-INDIA COMPOUND GROWTH RATES OF PRODUCTION AND PRODUCTIVITY (Base T.E. 1981-82 = 100, percent per annum)

Crop	1967-68 to 1980-81		1980-81 to 1989-90		1990-91 to 1999-00		2000-01 to 2007-08	
	Production	Yield	Production	Yield	Production	Yield	Production	Yield
Total food grains	2.2	1.3	2.9	2.7	2.0	1.5	2.1	2.8
Non-food grains	2.3	1.2	3.8	2.3	2.7	1.1	5.1	3.9
All crops	2.2	1.3	3.2	2.6	2.3	1.3	3.2	3.8

Source: Government of India, Ministry of Agriculture, Agricultural Statistics at a Glance, Various Years.

FIGURE 1: PRODUCTION AND YIELD OF ALL CROPS (percent per annum)



Source: Government of India, Ministry of Agriculture, Agricultural Statistics at a Glance, Various Years

AGRICULTURAL POPULATION

Data presented in the table below clearly reflects that population of the country has increased rapidly from 1951 to 1981. The average annual exponential growth rate was 1.25% in 1951 and 2.22% in 1981. Growth rate marginally declined to 2.16% in 1991. Thereafter a somewhat declining growth rate has been observed. Rural population has always been a major part of total population. The share of rural population to total population was 82.7% in 1951. Even after two decades in 1971 80.1% was the share of rural population. Presently 68.8% of the total population resides in rural area. The share of cultivators in agricultural workers has declined and that of agricultural labourers has increased over the years.

TABLE 2: POPULATION AND AGRICULTURAL WORKERS (in millions)

Year	Total Population	Average annual exponential growth rate (%)	Rural Population	Agricultural Workers		
				Cultivators	Agricultural Labourers	Total
1	2	3	4	5	6	7
1951	361.1	1.25	298.6 (82.7)	69.9(71.9)	27.3(28.1)	97.2
1961	439.2	1.96	360.3 (82.0)	99.6(76.0)	31.5(24.0)	131.1
1971	548.2	2.20	439.0 (80.1)	78.2(62.2)	47.5(37.8)	125.7
1981	683.3	2.22	525.6 (76.9)	92.5(62.5)	55.5(37.5)	148.0
1991	846.4	2.16	630.6 (74.5)	110.7(59.7)	74.6(40.3)	185.3
2001	1028.7	1.97	742.6 (72.2)	127.3(54.4)	106.8(45.6)	234.1
2011*	1210.6	1.64	833.5 (68.8)	118.7(45.1)	144.3(54.9)	263.0

*Provisional

Figures within parentheses in column 4 are percentages to the total population.

Figures within parentheses in columns 5 and 6 are percentages to column 7.

Source: Agricultural Statistics at a glance 2013.

THE RURAL NON-FARM SECTOR

Nonfarm activities can be defined as to exclude primary agricultural activities including forestry, fisheries, animal husbandry. But it includes trade and processing of these activities together with activities related to secondary and tertiary sector. In the nonfarm sector activities consists of wide range of traditional and modern manufacturing, mining and quarrying, construction, trading, transport, storage and communication, hoteling and those rendering community and personal services. So, rural non-farm sector includes all economic activities other than production of primary agricultural commodities.

GROWTH AND EXPANSION OF RURAL NON-FARM SECTOR

A non-agricultural establishment for the purpose of Fifth Economic Census has been defined as an establishment which was engaged in Mining and Quarrying; Manufacturing; Electricity, gas and water supply. Construction; Sale, Maintenance & Repair of motor vehicles, motorcycles; Wholesale trade; Retail Trade; Restaurants and Hotels; Transport and storage; Post and Telecommunications; Financial intermediation; Real estate, Renting & Business Services; Public administration and defence, compulsory social security; Education; Health and social work; Other community, social and personal service activities etc. In short establishments other than the Agricultural establishments are Non-Agricultural establishments.

TABLE 3: COMPARISON OF NON-FARM ESTABLISHMENTS

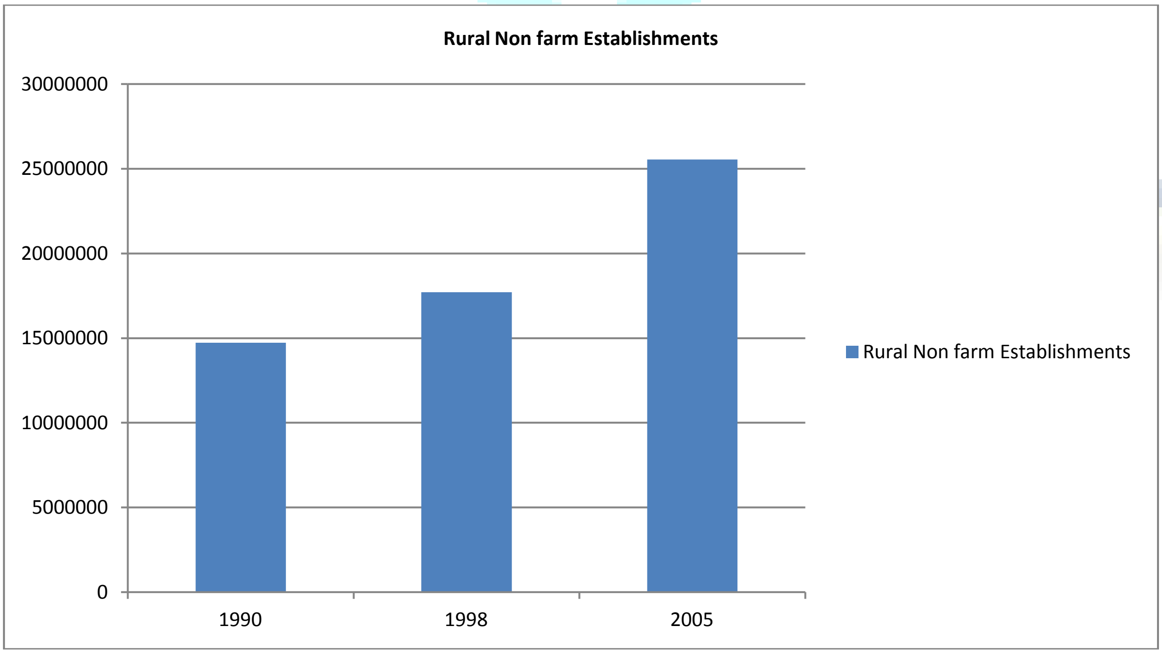
Sector	Establishments (absolute numbers)			Growth rate (%)		
	EC 1990	EC 1998	EC 2005	EC 1990	EC 1998	EC 2005
Rural	14722200	17707475	2536066	-	2.25	5.37
Urban	10280000	12641413	16290923	-	2.51	3.69
Total	25002200	30348888	41826989	-	2.36	4.69

Source: Economic Census, various years, GOI.

GROWTH RATES MEAN COMPOUND ANNUAL GROWTH RATES (CAGRs)

Above table shows the number of establishments in last three economic censuses and inter census growth rate of establishments in respect of rural, urban and combined over the periods 1990-98 and 1998-2005. It would be seen that the overall annual growth rate of establishments per year during 1998 – 2005 was of the order of 4.69%. Growth rate (5.37%) per annum in rural area was significantly more than the growth rate (3.69%) observed in urban area. When compared with the growth rate observed during 1990-98 it is found that the growth rates both in Rural and urban areas during 1990-98 were comparatively low compared to the growth rates observed during 1998-2005. The overall growth rate which was of the order of 2.36% during 1990-98 has gone up to 4.69% during 1998-2005.

FIGURE 2: COMPARISON OF NON-FARM ESTABLISHMENTS



Source: Economic Census, 2004-05, GOI

NON-AGRICULTURAL ESTABLISHMENTS BY MAJOR ACTIVITY GROUPS

Percentage share of Non-agricultural Establishments by Major Activity Groups are presented in the following table. Share of wholesale and retail trade, transport, storage and communication, financial insurance and real estate, etc. activities has increased consistently during the period 1990-2005. Share of whole sale and retail trade in rural areas has increased from 34.65% (1990) to 42.34% in 2005. The share of transport and storage was 2.20% in 1990 increased to 4.30% in 2001. The share of financial, insurance, real estate and business activities which was 1.18% in 1990 increased to 2.69% in 2005. The percentage share has consistently declined in community social and personal services, share of other sectors remained more or less at the same level during this period.

TABLE 4: PERCENTAGE SHARE OF ALL NON-AGRICULTURAL ESTABLISHMENTS BY MAJOR ACTIVITY GROUPS

Sl. No.	Major activity group	Rural			Urban		
		1990*	1998	2005	1990*	1998	2005
1	Mining and Quarrying	0.34	0.20	0.31	0.08	0.05	0.15
2	Manufacturing	27.17	24.24	26.02	19.13	16.33	19.87
3	Electricity, gas and water supply	0.23	0.18	0.21	0.17	0.10	0.14
4	Construction	1.01	1.15	0.86	1.06	0.96	0.94
5	Wholesale and retail trade	34.65	38.03	42.34	44.56	47.69	51.05
6	Hotels and restaurants	4.69	4.24	4.01	4.84	4.64	4.37
7	Transport, storage	2.20	3.35	4.30	4.19	3.97	4.14
8	Communication	0.68	0.63	1.55	0.21	1.27	2.45
9	Financial Ins., real estate & Business activities	1.18	1.59	2.69	3.11	3.71	4.86
10	Community, Social and Personal Services	27.83	26.36	17.70	22.57	21.25	12.01
11	Others(unspecified)	0.01	0.03	0.01	0.08	0.01	0.00
12	All Non agricultural activities	100.0	100.0	100.0	100.0	100.0	100.0

* Excluding J & K

Source: Economic Census, 2004-05, GOI

EMPLOYMENT IN RURAL AND URBAN AREAS

TABLE 5: GROWTH OF RURAL EMPLOYMENT (UPSS)

Sector	1972-73/77-78	1977-78/83	1983/1987-88	1987-88/1993-94	1993-94/1999-00	1999-00/2004-05	2004-05/2009-10
Primary	1.66	1.49	0.28	2.17	0.20	1.29	-1.65
Secondary	4.71	4.08	7.57	-0.53	2.55	6.03	4.65
Tertiary	5.72	3.58	2.13	4.64	2.12	4.52	0.90
All non agricultural	5.23	3.82	4.91	1.98	2.32	5.25	2.83
Total	2.21	1.89	1.19	2.12	0.67	2.29	-0.34

Source: T.S. Papola and Partha Pratim Sahu (2012).

It is quite evident from the above table that growth of employment in non-agricultural sector has been faster than that of agricultural sector. One can conclude from this that this will cause the overall rate of employment growth to be higher in rural areas but because of slow growth rate of employment in agriculture, the overall employment growth is lower in rural areas. Further employment performance of the rural areas has been better than that of the urban areas in as far as the non-agricultural activities are concerned. Employment in all non-agricultural activities together grew at 5.23 per cent per annum in rural areas and 4.47 per cent per annum in urban areas during 1972-73/1977-78. During 2005-10, rural areas did better than the urban areas in growth of non-agricultural employment. In general, the pattern of employment growth in terms of rates of employment growth in different activities is found to be more or less similar in rural and urban areas. Growth of urban employment is shown in the table below.

TABLE 6: GROWTH OF URBAN EMPLOYMENT (UPSS)

Sector	1972-73/77-78	1977-78/83	1983/1987-88	1987-88/1993-94	1993-94/1999-00	1999-00/2004-05	2004-05/2009-10
Primary	5.01	3.27	0.42	1.99	-0.348	4.47	-1.17
Secondary	4.86	3.80	5.13	1.04	2.32	5.60	2.01
Tertiary	4.23	3.38	2.10	5.32	3.37	3.78	2.06
All non agricultural	4.47	3.54	3.33	3.61	2.99	4.44	2.04
Total	4.55	3.50	2.91	3.40	2.30	4.44	1.78

Source: T.S. Papola and Partha Pratim Sahu (2012).

POVERTY

Broadly one can define poverty as a social phenomenon where a section of society is unable to fulfil even the basic requirements of life. In India we are more concerned with minimum standard of living rather than reasonable standard of living. The concept of poverty has broadened over time. The extent of deprivation now takes into account status of education and health along with standard of living mostly associated with income of a household reflected in the multidimensional poverty index. The incidence of poverty is quite high in India. The estimate of Tendulkar committee using Mixed Reference Period (MRP) method for 2011-12 is 21.9%.

TABLE 7: PERCENTAGE AND NUMBER OF POOR ESTIMATED BY TENDULKAR METHOD, USING MIXED REFERENCE PERIOD (MRP)

	Poverty Ratio (%)			Number of poor (in million)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.5	52.8	269.3
Annual Average Decline: 1993-94 to 2004-05 (percentage points per annum)	0.75	0.55	0.74			
Annual Average Decline: 2004-05 to 2011-12 (percentage points per annum)	2.32	1.69	2.18			

Source: Planning Commission Government of India, July 2013

From the above table it can be observed that the percentage of persons below the Poverty Line in 2011-12 has been estimated as 25.7% in rural areas, 13.7% in urban areas and 21.9% for the country as a whole. The respective ratios for the rural and urban areas were 41.8% and 25.7% and 37.2% for the country as a whole in 2004-05 and the figures were 50.1% in rural areas, 31.8% in urban areas and 45.3% for the country as a whole in 1993-94. In 2011-12, India had 217 million persons below the Tendulkar Poverty Line in rural areas as compared to 329 million in 1993-94, that is a reduction of 112 million persons. During the eleven year period 1993-94 to 2004-05, the average decline in the poverty ratio was 0.74 percentage points per year. It accelerated to 2.18 percentage points per year during the seven year period 2004-05 to 2011-12. Therefore, it can be concluded that the rate of decline in the poverty ratio during the most recent 7-year period 2004-05 to 2011-12 was about three times of that experienced in the previous eleven year period 1993-94 to 2004-05. Similar trend is observed in the decline of rural poverty which declined from 0.75% during 1993-94 to 2004-05 to 2.32% during 2004-05 to 2011-12.The decline in poverty flows from the increase in real per capita consumption. It is clear that the real MPCE increased by much more in the second period (2004-05 to 2011-12) as compared to the first (1993-94 to 2004-05), that the increase was fairly well distributed across all deciles of the population, and the distribution was particularly equitable in rural areas.

RECOMMENDATIONS
Non – farm sector has immense possibilities. Although it has created employment opportunities but employment in hired establishments is more than that in own account establishments. In the event where agricultural sector contribution in employment is decreasing, non- farm sector can prove helpful. Moreover the problem of poverty can be solved if the productivity of agricultural and non – agricultural sector both is increased. Looking at the constraints in increasing the productivity in agricultural sector and the expansion of non – agricultural sector in recent years one can rely more on latter for rural development in general and poverty and unemployment in particular.

CONCLUSION
It is universally accepted that agriculture alone is incapable in solving the problems of a developing country which is in its second stage of demographic transition (i.e. population explosion). In India initially all the stress was on economic growth primarily through industrialisation. Emphasis on agriculture was given since the third five year plan (green revolution). In rural areas agriculture provided highest employment opportunities. Soon then it was realised that agriculture alone is not in a position to absorb the growing population. The non-farm sector began to receive more importance given its higher productivity. All this resulted in the structural transformation in agricultural sector. Thus initiating for developing a comprehensive g approach towards the expansion of potential non-farm activities in rural areas could be an effective measure for solving the major problems of unemployment, poverty and out-migration of rural labour force to a certain extent.

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