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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

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- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

DIMENSIONS OF HIGHER EDUCATION IN INDIA: A COMPREHENSIVE REVIEW

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ABSTRACT
Higher education means the education beyond the level of secondary education. It is often assumed that education imparted by the colleges or universities are higher education. But in fact higher educational institutions include Professional Schools in the field of Law, Theology, Medicine, Business, Music and Art. It also includes other institutions like Teacher's Training School and Technological Institutions. Today, Knowledge is power. The more knowledge one has, the more empowered one is. A lot has been researched and said about Higher Education in India and many papers have been presented on the same. These have brought forth the fact that Higher Education is extremely diverse and the challenges and issues faced by higher education institutions are just as diverse The process of education is not merely digesting books. It is also about doing several co-curricular and extra-curricular activities that give a broader meaning to life in general and education in particular Through this paper the author has attempted to compile and present a comprehensive review of various dimensions of Higher Education in India. The data was collected through secondary sources and analyzed to generate a cryptic and precise report for quick review. The paper also throws light on threats and challenges to higher education in India, current scenario, issues and suggestive measures to overcome them.

KEYWORDS
educational institutions, educational system, higher education, knowledge.

INTRODUCTION
Education has a special significance in the context of a quasi-traditional or transitional society like India. India is now considered to be one of the most promising economies of the world. While, higher education gives India an edge in the world economy as evident from the availability of the skilled manpower, and research scholars working abroad, unemployment, illiteracy and relative poverty continue to be the major deterrents to realize her potential in human resources

The key to harnessing India's demographic dividend is education. Indian higher education currently the third largest in the world, is likely to surpass the US in the next five years and China in the next 15 years to be the largest system of higher education in the world. By 2030, India will be amongst the youngest nations in the world. With nearly 140 million people in the college-going age group, one in every four graduates in the world will be a product of the Indian education system. Higher education in India has recorded impressive growth since Independence. University Grants Commission (UGC), by designing programmes and implementing various schemes through academic, administrative and financial support, has contributed in the growth and development of Indian higher education. In India the central Government and the state Governments are trying to nurture talent through focusing on the expansion of higher education. India has certainly come a long way from 28 universities and 578 colleges in 1950–51 to over 500 universities and more than 25,000 colleges at present. Today, the country has the largest number of higher education institutions in the world and close to 20 million students enrolled. As per reports of 2011, there are 227 government-recognized Universities in India. Out of them 20 are central universities, 109 are deemed universities and 11 are Open Universities and rest are state universities. Most of these universities in India have affiliating colleges where undergraduate courses are being taught. However, Jawaharlal University is a remarkable exception to this rule. According to the Department of higher Education government of India, 16,885 colleges, including 1800 exclusive women's colleges functioning under these universities and institutions and there are 4.57 lakh teachers and 99.54 lakh students in various higher education institutes in India. Apart from these higher education institutes there are several private institutes in India that offer various professional courses in India. Distance learning is also a feature of the Indian higher education system (Dr. J. D. Singh).

According to the University Grants Commission (UGC), India still needs 1500 more universities with adequate research facilities by the end of the year 2015 in order to compete in the global market. In the current scenario the country lacks the critical mass in higher education. Its gross enrolment ratio (GER) is a mere 11 per cent compared to China's 20 per cent, the USA's 83 per cent and South Korea's 91 per cent. This means that in comparison to India, China has double the number of students pursuing higher education.

Higher Education unquestionably faces huge challenges. While on one hand there is a need to bring as many young people as possible into the higher education fold, on the other it is required to significantly focus on building quality and global competitiveness. It is a known fact thatquality of education has a wide-ranging impact onEmployabilityand labor production.

THREATS AND CHALLENGES FOR INDIA IN HIGHER EDUCATION SECTOR
Dr. Manmohan Singh (2005) optimistically forecasted that the 21st Century will be the "knowledge century", by which he referred to the socio-economic transformation that the country was projected to go through in the 21st century as a result of knowledge creation. The prospects and development in the higher education sector in India need a critical examination in a rapidly globalizing world. Other countries are also upgrading higher education with the aim of building world class universities. India's growth story is primarily driven by its services sector which in turn derives strength from skilled labor force. Unless the country has a dynamic higher education system, it faces the danger of losing its competitive advantage not just to China and Brazil but also smaller nations such as Philippines and Malaysia.

While there is a need for an expansion of the higher education sector, resource constraint for both the Centre and the states poses challenge to ensure quality education even in the existing institutions

CURRENT SCENARIO
India's higher education system is the world's third largest in terms of students, next to China and the United States. Unlike China, however, India has the advantage of English being the primary language of higher education and research. India educates approximately 11 per cent of its youth in higher education as compared to 20 per cent in China. The mainGoverning body at the tertiary level is the University Grants Commission (India), which enforces its standards, advises the government, and helps coordinate between the centre and the state. Universities and its constituent colleges are the main institutes of higher education in India.

India's public expenditure on higher education as a percentage of Gross Domestic Product (GDP) is 0.6 per cent (Ernst & Young–FICCI 2009), which is less than what other nations such as United States (US), United Kingdom (UK) and China spend on a per-student basis. Most of the public expenditure on higher education is used up on salaries and maintenance of existing institutions. Majority of central government's spending on higher education is allocated to the University Grants Commission (UGC) (around 40 per cent), which in turn assists colleges, mainly in the form of grants for their maintenance and development. Very little is spent on curriculum, research and technology. Only a few institutions, such as Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs), stand as beacons of excellence amidst a sea of mediocrity. Entrance to these institutions is characterized by limited seats on one hand and a mad rush of aspirants on the other hand leading to extreme stress among the aspirants.

Although, Indian Institutes of technology (IITs), have been globally acclaimed for their standard of education. The IITs enroll about 8000 students annually and the alumni have contributed to both the growth of the private sector and the public sectors of India, India has failed to produce world class universities like Harvard and Cambridge. According to the London Times Higher Education report on World University rankings, no Indian university features among the first 100 Universities. This is probably because at present, the world-class institutions in India are mainly limited. Most of the Indian colleges and universities lack in high-end research facilities. Under-investment in libraries, information technology, laboratories and classrooms makes it very difficult to provide top quality instruction or engage in cutting-edge research. This gap has to be bridged if we want to speed up our path to development

Besides, the long queues in front of the colleges as well as the screaming headlines in the newspapers, starkly present the scarcity of capacity in the higher educational sector. The premium that the seats in better colleges for almost all the courses attract is common knowledge. Whilst there are supervisory mechanisms in place we know that supervision many a time means additional side payments. The solution lies in self enforcing system design which in this case would clearly imply removal of structural and overall scarcities through increased capacities

ISSUES

Many IIT graduates, well trained in technology, have chosen not to contribute their skills to the burgeoning technology sector in India; perhaps half leave the country immediately upon graduation to pursue advanced studies abroad, and most do not return. A stunning 86 per cent of Indian students in the fields of science and technology who obtain degrees in the United States do not return home immediately following their graduation. A body of dedicated and able teachers work at the IITs and IIMs, but the lure of jobs abroad and in the private sector makes it increasingly difficult to lure the best and brightest to the academic profession. Consequently, quality of education delivered in most institutions is very poor. There are many basic problems facing higher education in India today. These include: inadequate infrastructure and facilities, large vacancies in faculty positions and poor faculty thereof, low student enrolment rate, outmoded teaching methods, declining research standards, unmotivated students, overcrowded classrooms and widespread geographic, income, gender, and ethnic imbalances. Research in higher education institutions is at its lowest ebb. There is an inadequate and diminishing financial support for higher education from the government and from society. Many colleges established in rural areas are non-viable, under-enrolled and have extremely poor infrastructure and facilities with just a few teachers. A series of judicial interventions over the last two decades and knee-jerk reaction of the government – both at the centre and state level and the regulatory bodies without proper understanding of the emerging market structure of higher education in India has further added confusion to the higher education landscape in the country. There is an absence of a well-informed reform agenda for higher education in the country

WHAT DO THE EXPERTS SAY?

There is an immediate need to transform the whole system of higher education in India. Education is a seller's market, where there is no scope of incentive to provide quality education. Quality is the key to India's future growth as knowledge economy start dominating. It is here that Indian Higher Education System is being found to be most wanting. In order to have good quality academic institutions, we should follow the best practices in accreditation and assessment. Currently, only a handful of Institutions in India are accredited by NAAC and NBA. This lack of quality, except in a handful of institution, permeates throughout the higher education sector, be it engineering, medicine, Business Administration or in Science, commerce, humanities, liberal arts and law institutes. Only a handful of these institutions make the mark. The total number of higher education seats in India is approximately over 3 Million per year, but those with high quality, may not number much more than 30,000. The problem with the institutes with poor quality is that they fail to inspire the students even to a small extent. The rapidly expanding Indian industry finds the graduates of these institutes lacking in simple skills required for employability. Therefore, on one hand, the industry do not find enough people to employ, spiraling up the salaries and its wage bill; on the other hand, many who graduate do not find ready employment. Thus, another major concern for India is creation of employable workforce to harness our demographic dividend. According to Industry reports supported by NASSCOM, only 25% of technical graduates and about 15% of other graduates are considered employable by IT/ITES industry. Another survey conducted on 800 MBA students across different cities in India revealed that only 23% of them were considered employable. Hence, there is an immediate need for a holistic and symbiotic association between industry and academia to make employable graduates. There is also an immediate need for moving from 'generic model' of education to a 'learner-centered' model of education. The students should be mentored to make their careers in the areas of their strength and abilities. Currently, there are lots of issues regarding governance and autonomy of such educational institutions, which create major road blocks in performance and require urgent attention. There are several legal and regulatory hurdles to create quality institutions in India. For example, ISB Hyderabad is the only B-School from India which features in Top-20 in Financial Times list, but it cannot grant a recognized MBA degree due to legal and regulatory constraints. There is an immediate need for transforming governance and leadership in higher education Institutions.

Faculty members form the core of any academic institution. They should be research focused and properly engaged with mentoring, industry engagement, research and consulting. Quality results require quality teachers. Even the best institutions in the country be it IITs or JNUs struggle to find enough quality teachers. The other institutes find it almost impossible. Many of the new private institutions are the worst sufferers. In many of these institutes, "fresh graduates who fail to get any other job," become the teachers. As soon as they acquire some experience and get a bit better, they drift to industry. This is the main reason that quality is a commodity in serious shortage in our academia. The students are not too bad. Once inspired, many of them are capable of working hard and even work on their own to learn adequately. But most of these youngsters fail to see even one quality teacher and fail to be inspired in any way. Unfortunately, there is clearly a lack of educated educators and teaching is not an attractive profession. It's a last choice in terms of career. Number of Ph.D's produced each year is very low and those required by academia is far higher. In fact, at many institutions fresh graduates are employed to teach, leading to poor quality of classroom instruction. The lack of facilities some time deter the students, but not to the same extent as low quality of teachers. Colleges which lack quality are also incapable of creating an open atmosphere for learning.

Teachers and administrators spend more energy on controlling the students. Overall the academic atmosphere disappears. Often, the poor quality of teachers goes hand in hand with authoritarian and non-accountable administration. This is so both in Government as well as private run institutions. Teachers and administration spend more time on petty things like how to earn little more by setting question papers or taking other outside assignments rather than on educating and inspiring youngsters. As the problem of low qualityteachers in these institutions is becoming very apparent, it is often said that the low quality of teachers is due to inadequate opportunity for these teachers to get trained. It is often forgotten that training of teachers in the form of Quality Improvement Programmes has been a major focus in the nation for the last thirty-five years. While training the teachers continuously is important, this often hides the true problem of inadequate compensation. The result of these training the teacher program has been that most of the time when a teacher gets adequately trained, he/she leaves the educational institutes and migrate to the industry. Those teachers, who fail to benefit even from these quality improvement programs, stay as teachers. The only answer to the quality is to make the teachingvocation more attractive. Once this is done, enough bright youngsters will find various innovative ways to train themselves to take up such positions.

Most observers of higher education in India feel that performance of higher education institutions has also been less than satisfactory in terms of access, equity and quality. Responding to these emerging needs, the UGC stated: "The University has a crucial role to play in promoting social change. It must make an impact on the community if it is to retain its legitimacy and gain public support". It seeks to do so by a new emphasis on community based programmes and work on social issues. Concepts of access, equity, relevance and quality can be operationalised only if the system is both effective and efficient. Hence, the management of higher education and the total networking of the system has become an important issue for effective management. The shift can occur only through a systemic approach to change as also the development of its human resource, and networking the system through information and communication technology.

Now there is an urgent need to work for the development of the educational sector to meet the need of the emerging opportunities, increasing younger generation population and challenges of the 21st century.
The required enabling (through regulatory changes) of private sector is a must for the purposes of raising supplementary resources. The private endowments which at one time were significant, have to be restored through incentive based legislation. At the same time the interference of the State in all aspects of education has to be significantly reduced, especially in the 'operations' and procedural aspects. This has been a major cause that led to the Universities being converted to mediocrity The state must truly practice private enablement with 'oversight from a distance'.
The processes involved in the setting up in the national universities are so long drawn that it will be some time before the plan becomes a reality. Also, and more importantly, the shortage with regard to the requirement of quality faculty is so great that even with physical infrastructure the delivery will not be assured. This requires some bold and innovative thinking and application which requires a key governance initiative. The external agencies like the corporations and industries will have to play a major role, IT enabled distance learning mode as well as the platform for e-learning have to be exploited to the fullest extent. This will require huge organization and collaborative effort of the best minds. Just as in case of fundamental/ foundational courses so also in case of e-learning material creation; we have to identify first rate minds and incentivize them to get involved with the tasks in a time bound and target oriented fashion.
Flexibility has to be understood in various ways, so as to encompass the entire spectrum of stakeholders. These clearly, are the students, faculty and the managements. The students in India are to a very great extent presented with a rigid degree/ diploma system with 'papers' defining the course as given. Academic reforms – e.g., through choice based credit system – need to be carried out. Academic autonomy has to be bestowed. This will mean that students will have the choice to pick and choose various components that would result in a degree or diploma. This is an aspect of capacity (not necessarily to do overall availability but concerned with the structure – viz., capacity to provide access to relevant education. The credibility of courses/ degree, even as a signal, is severely eroded. It has to be understood that the mismatch between the demand and supply that is reported by various agencies is essentially a result of the rigidities inherent in the system.
That employability requires imparting of soft skills – including articulation – is well understood. But how will this be achieved when the faculty themselves, by and large, lack in soft skills? Faculty Development Programmes to ensure the development of faculty in order to be good teachers have to be comprehensively designed and delivered in the time-bound system.
Workload of teachers as well as the type and wage contracting while hiring the teachers will need to be flexible. The current practice with regard to the pay structure as well as 'clerical' work ethic is not conducive to face the current challenges. There are no incentives for faculty with quality and excellence, to self select themselves in this sector. Indeed, as a rule, persons with low or no quality find secure cocoons here. Incentive compatibility in wage contracts as well as flexibility in hiring of teachers (enabled through private endowments) is essential if one is to attract good persons to this sector
There is much to be said for liberalizing the environment that confronts the managements today. The rules have to be clear and unambiguous and the oversight by government has to be non-intrusive. There is clearly no place for harassment in day to day operations.
In the most important aspect of quality, which is clearly of essence in the context of India emerging as a front runner in the comity of knowledge society? We consider the various stakeholders. The subsidy (partial as well as total) is leading students to make wrong decisions about seeking admissions. Reverse discrimination as is currently practiced should be seriously reviewed and modified. Rather than mere access through quotas, it should be strengthened by serious mentoring processes. Otherwise we would be found guilty of doing actual disservice to the students whom we seek to benefit. Teacher training apparatus and research ambience have to be created with serious and focused thought. This has to do with much more than finance. The other requirements such as NET /SET and M Phil/ PhD are so badly designed that there are no elements that test the qualities of the prospective teachers. The on-job training programs (orientation and refresher courses) are little more than a farce and are in serious need of a complete overhaul. There is of course no denying the fact that much public resources and private efforts are expended in their conduct. The pay structures are an example of incorrect pricing that leads to 'right' kind of persons entering the profession. The quotas for jobs in academics should be dispensed with at higher levels or promotions at least. Of course to do this, the Government will have to sacrifice petty politics and indulge in visionary statecraft.
Research is yet another weak ground. Not only do we require first rate infrastructure in terms of laboratories, library resources, equipment, and internet connectivity but also a threshold sized group of dedicated researchers that interact andwork and play together. The current regime of organizing lectures of 48 minutes and use every excuse to disallowfilling up of vacancies is hardly conducive to creation of research environment. But this is the easiest way for the bureaucrats (who have very little idea about research ethos) to bring about expenditure management. Faith and extreme patience here are of essence. In the current context, with well paying jobs available to the 'good' students, it is difficult to
attract students to research. Indeed, as Kaushik Basu pointed out, most students always went out in search of well paid careers, but what has changed of late unlike earlier times is that even the 'best/ top' students do not enter the field of research. This means that mostly, only the not so good come in to do research – because they have nothing else to do. Ambience apart, it is necessary to use innovative ways to rectify the situation. The research scholarships – not numbers but amounts – have to be seriously enhanced. Also, to attain threshold level groups, multi/ interdisciplinary centers of excellence have to be created. Such centers will be in keeping with the current ethos of research and will have the advantage of reaping economies of scale. Whilst this is a strategy that will find many positive receptors, it is clear that this is well beyond the scope of government alone. It is here that private sector – in an enlightened self interest mode – play a vital role.
Privatization in higher education is probably the need today. Take for example the role played by private enterprise in transforming sectors, such as Information Technology and Information Technology Enabled Services (IT and ITES), telecom, banking, etc., is evident. Today, IT's growth story has put India on the global economic map. These sectors are shining examples of the progress that can be made when private enterprise is allowed to function in a free and encouraging manner. Unfortunately, the higher education operating environment provides certain challenges which discourage serious players from entering the field.

CONCLUSION
Although there have been challenges to higher education in the past, these most recent calls for reform may provoke a fundamental change in higher education. This change may not occur as a direct response to calls for greater transparency and accountability, but rather because of the opportunity to reflect on the purpose of higher education, the role of colleges and universities in the new millennium, and emerging scientific research on how people learn. it is important to allow non-profit making institutes to bring large-scale investments from Indian promoters and global educational institutes. This step can truly transform the Education sector and India can become the knowledge capital of the world. Now the time has come to create a second wave of institution building and of excellence in the fields of education, research and capability building. We need higher educated people who are skilled and who can drive our economy forward. When India can provide skilled people to the outside world then we can also transfer our country from a developing nation to a developed nation very easily and quickly.

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METAMORPHOSIS OF INDIAN BANKS: A STUDY WITH REFERENCE TO NON PERFORMING ASSETS

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ABSTRACT
Banking industry in India is one of the most important and vibrant in economic development of the country. After introduction of the economic reforms introduced in 1991 there was tremendous changes in the banking industry. Competition, consolidation, technology development, diversification of services etc. were some of the significant changes observed in banking industry. The non-performing assets in banks started to decline due to stringent measures taken by banks in recovery of debts. As compared to NPA of public sector and foreign banks the NPA of the private sector was recorded as lowest. Mismanagement of funds, willful default, delay in recovery of the loans are the few causes observed in the study for rising nonperformance assets. The government has taken various legal measures to reduce NPA such as Lok Adalat, Debt Recovery Tribunals, SARFASI ACT and observed that maximum recovery cases was under the Lok Adalat. The study concluded that there were significant changes in the banking sector after introduction of the economic reforms. Monthly review of the outstanding loan and precautionary measures to be taken by Banks in sanctioning of the loans has been suggested in the study.

KEYWORDS
NPA, Indian banks.

INTRODUCTION
Banking industry in India is one of the most important and vibrant in economic development of the country. Entire trade and commerce depend largely upon the effective functioning of banks. It is one of the major financial institutions which provides strength and support to industries in operating effectively The face of banking industry has been changed after the reforms introduced in 1991. The mass banking concept before reforms were changed in class banking. Service rendering was the major objective before the reforms and maximization on profit has become the important objective after the reforms. Diversifications of services, consolidation of banks, financial regulations, and deregulation of interest were certain major highlights in post reforms period.

First reforms in banks were initiated in 1992 on the recommendation of M. Narasimham and second reforms in 1998. Several observations were recommended by this committee such as

a) Concession in the rate of interest on priority sector lends should be reduced.
b) Enhancement of micro finance institution.
c) Competitive environment should be created
d) Transparency in operations and assets classifications
e) Provisioning standards as per the norms and not discretions to banks
f) Supervision system need to be strengthen
g) Strengthening of recovery process

The face of banking industry has been changed after the reforms introduced in 1991. Service rendering was the major objective before the reforms and maximization on profit has become the important objective after the reforms. Diversifications of services, consolidation of banks, financial regulations, and deregulation of interest were certain major highlights in post reforms period.

In India banks were owned by the private sector even after independence. In 1969 the govt. of India has nationalized 14 banks and later in 1980 the government nationalized 6 banks. The objective of the nationalization was to have more control by the Government on the finance through banking.

CHANGES IN INDIAN BANKING INDUSTRY

1) COMPETITION IN BANKING INDUSTRY
Before introducing the reforms, public sector banks were enjoying the status as govt. banks and competitions were negligible or zero. But after reforms there were entry of private and foreign banks. The service rendering was considered as major objective of banks rather than earning profits. The significant changes occurred in the banking products and banks started its focus on marketing of banking products such as deposits, loans etc. The banks also concentrated on reducing the NPA by reducing the lending to priority sectors and speedy recovery of debts. This has helped the banks to improve on their profitability. The major changes in the banking industry in India was focus on the retail banking.

The globalization has become challenge for the domestic enterprise as they are bound to compete with the global players. There are 36 foreign banks operating in India which becomes the major challenge to nationalized banks. Foreign banks are large in size, technically advanced and having the global markets are its strength which made them to lay a strong foot in Indian market. The public sector banks raised the capital from the public by keeping 51 percent shareholding of Govt. The diversification of ownership has made a qualitative difference to the functioning of PSBs since private participation. The deregulation process has brought in more competition in the banking sector, resulting in delivery of innovative financial products at competitive rates.

2) DIVERSIFICATION OF PRODUCT AND SERVICES
The pre-nationalization era of banking industry consisted of financial services and products which were largely traditional in nature such as accepting deposits, lending loans, overdraft, cash credit, bills discounting etc. Accepting deposits and lending credit was the core service of banking industry. In the post-nationalization period banks played a vital role in extending banking services in rural areas, mobilizing and channelizing resources, finance to weaker sections of the community. During this period there was a gradual shift from urban to rural banking, from class banking to mass banking and traditional to modern banking.

The implementation of Narasimham committee from 1992-93 brought about a tremendous transformation in banking industry. Public sector banks diversified their services from traditional to non-traditional services. It includes merchant banking services, factoring, mutual funds, hire purchase and leasing; housing finance, credit cards etc. and also emerging services like internet banking, insurance were introduced in banking industry. These services are more of non-banking nature than banking services. These services are classified into fee –based and fund –based services. Fee based services includes issue management, portfolio management, co-operative counselling, loan-base syndication, arranging foreign collaboration, mergers and acquisition etc. and fund based services include equipment leasing, hire-purchase, bills discounting, loans syndication, venture capital, housing finance, factoring etc. Public sector banks started to render new services such as mutual fund, factoring, Gilt securities, venture capital, insurance, ATMs, credit card, housing finance. These services were rendered by banks either through departmentally or by establishing separate subsidiaries. The selected banks viz. State bank of India, Canara Bank and Punjab National banks provide various range of modern services through departmentally and through establishing separate subsidiaries. Introduction of these services has contributed for the improvement of the profitability of the bank

3) TECHNOLOGY DEVELOPMENTS IN BANKS
The reforms introduced has brought significant change in banking sector with regards introduction of technology. The computerization in banks has improved the efficiency of the employees and helped to give better services to customers. Foreign and private sector banks enjoy technology advancement as their strengths in developing the market for their banking products. The public sector banks on par with private and foreign banks introduced technology driven products to attract

the customers. Technology up gradation is an inevitable aspect to face the challenges of banking sectors. The internet banking, mobile banking, ATMS, Credit and debit cards are some of the technology based products introduced by the banks. After globalization the competition was the major change in the banking industry and due to the competitions the Indian public sector banks have no options to upgrade the technology in the banks and retain the customers by providing the competitive products.

REVIEW OF LITERATURE

Pacha Malyadri (2011) found on the basis of analysis of data that the asset quality of public sector and private sector banks improved consistently in the past few years as reflected in the decline in the ratio. Dr Virender Koundal (2012) observed that the efficiency and profitability of the Banking sector in India has assumed prime importance due to intense competition, greater, customer demands and changing banking reforms. K. Sarala Rao (2013) concluded that in terms of profit-ability, modern banks have registered above the benchmark (more than one percent) on ROA while traditional banks displayed a significant improvement on this ratio during the study period.

Prof Anbalagan and Prof M. Gurusamy (2013) observed that among the three bank groups in SCBs, the public sector banks rendered excellent services towards collections of deposits, granting advances, interest income and interest expended. Garima Chaudhary (2014) concluded that during the 2009-11, most of the new private sector banks have shown better performance than their public sector counterparts. RGanesan and R. Santhanakrishnan found in the study that Banking industry has undergone a major change after the first phase of economic liberalization. Due to various steps taken by the Government of India NPAS levels were reduced to considerable level. M saline (2013) concluded that the bankers can avoid sanctioning loan to the non- credit worthy borrowers by adopting certain measures. Srinivas K.T found that problem of NPAs has been a major issue for the banking industry. Reduction of NPA in banking sector should be treated as national priority item to make the Indian banking system stronger, vibrant and geared to meet the challenges of globalization. Mayur Rao and Ankita Patel found that ratio of Gross NPA to Gross Advances is decreasing in private banks and situations is better than foreign and public sector banks. Dr. V. Shanmugassundaram and S.N. Selvaraj (2015) concluded that the NPAS of public sector banks will decline marginally both in terms of Gross and Net figures over three years. Selection of right borrowers, viable economic activity, adequate finance and timely disbursement, correct end use of funds and timely recovery of loan is absolutely neces-sary preconditions for preventing or minimizing further occurrence of New NPA. Dr Sonia Narula and Moniak Singla (2014) observed that NPAs of PNB is increasing every year because of mismanagement in bank and there is a positive relation between total advances, Net profit and NPAs of bank. There is adverse effect on the liquidity of banks. Dr P. Raman (2013) made attempt to study to evaluate the performance of commercial banks in TamilNadu and also tried to analyze the performance of priority sector credit with special reference to educational loan and to analyse the NPA with regard to priority sector advances. It was found in the study that the rate of change on advances to priority sector segment both planned as well as achievement led the phenomenal growth in not only quantity but also qualitative.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows

1) To study the structural changes in Indian Banking industry.
2) To identify the non-performing assets in commercial banks in India.
3) To study the factor influencing and impact of NPAs in banks.
4) To study the recovery channels and suggests remedial measures to reduce the NPAs in public sector banks.

DATA AND METHODOLOGY

The data is collected from the secondary source with help of the website, journals etc. The data is analyzed with help of the percentage method. The study period is from 2006 to 2015. The change in the percentage rate movement of gross NPA is calculated by comparing with time period and rate of change is calculated by using following equation:

$$\text{Percentage rate of change} = \frac{X\,1(\text{present}) - X(\text{past})}{X(\text{past})} \times 100$$

STATEMENT OF PROBLEM

The banking industry is one of the major industry on which the economy of India is depend. After economic reforms there has been significant changes in the trade, commerce and industry and other sectors. There have been major changes incurred in the banking industry in India after introduction of economic reforms. The public sector banks started concentrating on reducing Nonperforming assets and improved profitability. Many public sector banks suffered due high NPA and slow recovery process. The profitability and financial position of bank suffered due to high rising NPAs. Thus it was essential to study the changes occurred in the banking industry in India and to identify the NPAs status in all banks i.e public, private and foreign banks. It was also required to make a comparative study of the various banks i.e public sector, private sector and foreign banks in identifying the NPAs and method used to recovery of debts.

NON-PERFORMING ASSETS

An asset is classified as non –performing asset (NPA) if dues in the form of principal and interest are not paid by the borrower for a period of 180 days. However, with effect from March 2010, default status would be given to borrower if dues are not paid for 90 days.

The loans borrowed can be classifies into four categories

a) Standard Loan

Standard loan is one which does not disclose any problem and which does not carry any high risk but only normal risk is attached to business. Thus standard loan is recoverable or already recovery started.

b) Substandard Loan

From 2005 substandard loan would be one which has remained NPA for a period of less than or equal to12 months

c) Doubtful loan

With effect from 2005 an asset would be classified as doubtful if it remained in the sub –standard category for 12 months.

d) Loss loan

A loss loan is one where loss has been identified by the bank or internal or external auditor or the RBI inspection but amount has not been written off wholly.

ANALYSIS AND DISCUSSIONS

TABLE 1: GROSS NPAs, GROSS ADVANCES AND RATIO OF GROSS NPAS TO GROSS ADVANCES OF PUBLIC SECTOR BANKS

year	Gross NPAs	Gross Advances	Gross NPA to gross Advances (%)	Sub Standard Advance	Doubtful Advance	Loss Advance
2006	421	11347	421(3.71)	113(0.99)	246(2.16)	55(0.48)
2007	389	14644	389(2.66)	143(0.97)	198(1.35)	48(0.32)
2008	406	18190	405(2.23)	173(0.95)	192(1.02)	40(0.21)
2009	459	22834	450(2.01)	203(0.88)	206(0.90)	41(0.17)
2010	573	25193	599(2.37)	288(0.93)	254(1.00)	58(0.23)
2011	710	30798	747(2.30)	250(0.81)	332(1.07)	65(0.21)
2012	1124	35503	1173(3.16)	623(1.75)	490(1.38)	60(0.16)
2013	1644	45601	1645(3.60)	815(1.78)	761(1.66)	68(0.14)
2014	2272	52159	2273(4.35)	958(1.83)	1216(2.33)	99(0.17)
2015	2784	56167	2785(4.95)	1054(1.87)	1630(2.90)	100(0.17)

Source: rbi.org.in

It has been observed form the above table that the ratio of Gross NPA to Gross Advances in public sector banks has been increased from 2012 onwards. The lowest ratio was observed in the year 2009 whereas the highest was recorded in the year 2015 with 4.95 percent. The percentage of the substandard advance and loss advance has been increased over the years in the public sector banks. The percentage of the doubtful advance has shown mix trend of increase and decrease. The gross NPA of the public sector banks is due to lending of banks into priority sector such as agriculture, small-scale industries where the lending are done as per the policies of the government.

TABLE 2: GROSS NPAs, GROSS ADVANCES AND RATIO OF GROSS NPAS TO GROSS ADVANCES OF PRIVATE BANKS

year	Gross NPAs	Gross Advances	Gross NPA to gross Advances (%)	Sub standard advance	Doubtful advance	Loss advance
2006	75	3151	2.41	97.6(3.09)	44(1.39)	9(0.28)
2007	91	4182	2.19	97.8(2.33)	39(0.93)	9(0.21)
2008	129	5236	2.47	97.5(1.86)	45(0.85)	12(0.22)
2009	167	5761	2.92	97.1(1.68)	50(0.86)	13(0.22)
2010	173	5795	2.99	97.3(1.67)	66(1.13)	22(0.37)
2011	179	7232	2.48	97.8(1.35)	108(1.49)	29(0.40)
2012	182	8716	2.09	98.1(1.12)	104(1.19)	29(0.33)
2013	203	11512	1.77	98.2(0.85)	112(0.97)	32(0.27)
2014	241	13602	1.78	98.2(0.72)	114(0.83)	42(0.30)
2015	336	1673	2.10	97.9(0.60)	176(1.09)	52(0.32)

Source: rbi.org.in

The table 2 shows the gross NPA ratio with gross advanced with regards to Private sector banks and it has been observed that the ratio is less than 3 percent. The highest percent was recorded in 2010 with2.99 and lowest was recorded in 2013 with1.77 percent. Thus compared to public sector banks the NPA is lower. The substandard advance, doubtful advance and loss advances of the private sector has been reduced over the years. Private Banks loan disbursement norms are normally strict and recovery process is efficient. Thus they advance the loan where the chances of recovery are higher due to that the NPA of the private banks are normally at lower level. Private banks are not much involved in the agriculture loans or priority sector. Private banks functioning is purely on the commercial basis where they concentrate on higher earnings. Thus due to that the NPA is lower in case of private banks.

TABLE 3: GROSS NPAs, GROSS ADVANCES AND RATIO OF GROSS NPAS TO GROSS ADVANCES OF FOREIGN BANKS

year	Gross NPAs	Gross Advances	Gross NPA to Gross Advances (%)	Sub standard advance	Doubtful advance	Loss advance
2006	20	959	2.12	9(0.93)	7(0.72)	4(0.41)
2007	23	1246	1.92	14(1.120	6(0.48)	4(0.32)
2008	30	1606	1.91	20(1.24)	8(0.49)	4(0.24)
2009	72	1660	4.37	59(3.55)	10(0.60)	4(0.24)
2010	71	1632	4.36	49(3.00)	14(0.85)	8(0.49)
2011	50	1929	2.61	19(0.98)	21(0.56)	11(0.56)
2012	62	2267	2.76	21(0.92)	22 (0.97)	20(0.88)
2013	79	2604	3.04	29(1.11)	27(1.03)	23(0.88)
2014	115	2995	3.86	43(1.87)	43(1.87)	29(0.96)
2015	107	3366	3.20	23(0.68)	54(1.60)	30 (0.89)

Source: rbi.org.in

As regards to Gross NPA ratio of foreign Banks shows the mix trend of increase and up to 2010 and later on reduced but not consistently. The highest was recorded in 2009 with 4.37 percent and lowest was shown in the year 2008 with1.91 percent. It is shocking that the NPA of the foreign banks are rising. Normally foreign banks are not involved in priority sector lending nor in the agriculture promotion.t still it has been noticed that the NPA of the foreign banks are rising which is not good sign. Foreign banks are more focused towards the technology and on line banking's. The customer base of the foreign banks is little different from the public sector or private banks.

TABLE 4: GROSS NPAs, GROSS ADVANCES AND RATIO OF GROSS NPAS TO GROSS ADVANCES OF SCHEDULED COMMERCIAL BANKS

year	Gross NPAs	Gross Advances	Gross NPA to gross Advances (%)	Sub standard advance	Doubtful advance	Loss advance
2006	517	15457	3.34	146(0.94)	297(1.92)	69(0.44)
2007	505	20074	2.52	200(0.99)	243(1.21)	62(0.30)
2008	566	25034	2.26	265(1.05)	244(0.97)	56(0.22)
2009	699	30246	2.31	367(1.21)	266(0.87)	59(0.19)
2010	817	32620	2.61	426(1.30)	334(1.02)	87(0.26)
2011	939	39959	2.35	414(1.03)	461(1.15)	104(0.26)
2012	1369	46488	2.95	695(1.49)	617(1.32)	109(0.23)
2013	1927	59718	3.23	909(1.52)	900(1.50)	123(0.20)
2014	2630	68757	3.83	1087(1.58)	1374(1.99)	170(0.24)
2015	3229	75606	4.27	1186(1.56)	1861(2.46)	182(0.20)

Source: rbi.org.in

The Gross NPA ratio of the scheduled commercial banks was shown rising form 2013 with highest of 4.27 percent and lowest was recorded in 2009 with 2.31 percent. The percentage of the substandard advance and doubtful advance has been increased over the years whereas the loss advance has shown reducing trend in percentages. Thus it shows that the after Declaration of NPA s the banks are taking interest in recovery of debts by various method including the legal methods hence due to that the gross NPA shows decline.

TABLE 5: MOVEMENT OF GROSS NPA (2006 TO 2010)

	Gross NPA in 2006	% to Total	Gross NPA in 2010	% to Total	Percent rate of change (2006 to 2010)
Public sector banks	421	81.58	573	70.13	36.10
Private Banks	75	14.53	173	21.17	130.66
Foreign Banks	20	3.87	71	8.69	255
	516	100	817	100	

Source computed form the data rbi.org.in

TABLE 6: MOVEMENT OF GROSS NPA (2010 TO 2015)

	Gross NPA in 2010	% to Total	Gross NPA in 2015	% to Total	Percent rate of change (2010 to 2015)
Public sector banks	573	70.13	2784	86.27	385.86
Private Banks	173	21.17	336	10.41	94.21
Foreign Banks	71	8.69	107	3.31	50.70
	817	100	3227	100	

Source computed form the data rbi.org.in

Table 5 and 6 displays the movement of the percentage of Gross NPAs of public sector banks, private sector banks and foreign banks from 2006 to 2010 and from 2010 to2015. It has been observed that the gross NPAs of foreign banks is higher as compared to private and public sector banks and from 2010 to 2015 the Percent change in gross NPA of public sector banks is higher as compared to private and foreign banks. Movement of NPA shows the increase of NPA to the base year. in the table % the base year is 2006 and the NPA movement shown form 2006to 2010 and similar way from 2010 to 2015. The movement of NPA helps to understand in what percentage the NPA is moving so that some effective measures could be possible to prevent or reduce NPAs.

CAUSES OF NON-PERFORMING ASSETS IN PUBLIC SECTOR BANKS

NPA has been increasing in the banks for various reasons such as following:

1) Due to Borrower
a) Too ambitious project
b) Heavy borrowing
c) Willful default
d) Mismanagement of funds
e) Poor quality of management
2) Due to Bank functioning
a) Defective lending process
b) No proper security
c) Lack of commitment to recovery
d) Delay in recovery process
3) Others factors
a) Slowdown in the domestic industry which has created impact on the turnover of the business.
b) Change in Government policies.
c) Natural calamities

STEPS TAKEN BY THE GOVERNMENT TO REDUCE NPAs

1) Appointment of nodal officers in banks for recovery at their head offices/ zonal offices/ for each debt recovery Tribunals(DRTs)
2) Trust on recovery of loss assets by banks and designing assets reconstruction companies(ARC) resolution Agents of Banks
3) Instructing the state level bank committees to take more initiative in resolving the matters
4) Fresh loans by providing information to other banks
5) Constant supervision and issuing warnings for nonpayment of loans

RECOVERY MECHANISM OF NPA

The government of India has taken certain steps to recover the NPA through legal measures. The government constituted committee under the chairmanship of Late ShriTiwari in 1981.The committee examined and recommended set up of the special tribunals to expedite the recovery process. Later Naramsimham committee recommended to set up of Asset reconstruction fund. Based on the recommendation of both committees Debt Recovery Tribunals were established in various parts of the country. The various measures taken to reduce NPAS include rescheduling and restructuring of Banks, corporate debts restructuring and recovery through LokAdalats, civil courts, Debt recovery tribunals and compromise setup. In addition to this some legal measures were introduced

SARFAESI ACT

Based on the recommendation of Andhyarujina committee the securitization and reconstruction of financial Assets and enforcement of security Interest (SARFAESI) Act 2002 was passed the act provides enforcement of security factors without recourse to civil court. The objective of the passing of the act was to speedy recovery of debt which has been long pending due to various reasons. As per this act bank can take possession of the assets of the borrower and sell it through auction and raise the money of the outstanding debt. Beside tis act also some legal measures were also recommended by the Govt for the speedy recovery of the bank money.

TABLE 7: RECOVERY OF THE NPAS THROUGH VARIOUS RECOVERY CHANNELS (Amount in Billions)

Recovery channels	2011-12				2012-13			
	No of cases referred	Amount involved	Amount recovered	% of amt. recovered	No of cases referred	Amount involved	Amount recovered	% of amt. recovered
lokAdalats	476073 (75.51)	17	2	11.8	840691(80.47)	66	4	6.1
DRTs	13365(2.11)	241	41	17.0	13408 (1.28)	310	44	14.0
SARFAESI Act	140991(22.36)	353	101	28.6	190537 (18.23)	681	185	27.1
Total	630429	611	144	23.6	1044636	1058	232	21.9

Source: retrived from rbi.org.in

DRT- DEBT RECOVERY TRIBUNALS

Table 7 shows the recovery of the NPAs through various recovery channels and cases referred and the recovery made. It shows that more cases referred through lok Adalats compared to other channels. In 2011-12 the cases referred in lok Adalat were 75 percent of total cases whereas it has increased to 80 percent in 2012-13. This was due to these courts deals with a large number of cases involving smaller amount having an individual ceiling of Rs 20,00,000 The second biggest recovery channel was Securitization and reconstruction of financial Assets and enforcement of security Interest Act (SARFASI Act.)

CONCLUSION AND SUGGESTIONS

The study attempted to identify the structural changes occurred in banking industry and it was observed that there is phenomenal changes identified after introduction of the economic reforms introduced in a 1991. Competition among the banks, innovation of new product, and diversification of services, consolidations and technology development in banks has been noticed. As regard to NPA in Banks it was observed that NPA in private sector banks has been reduced marginally as compared to public sect and foreign banks. Mismanagement of funds, willful defaulters, and slow recovery process by banks are some of the major reasons of increase in NPAS in Banks. The govt. has taken some legal steps to reduce the NPAs and among them are Lok Adalats, SARFASI) Act 2002, debt Recovery Tribunals are some measures started and among them through Lok Adalat many cases settled.

SUGGESTIONS

1) Bank should sanction the loan with proper security measures and quick legal steps should be taken to recovery of debts.
2) Monthly review of the recovery of debts should be taken at higher level by banks and accordingly implement the strategies to recovery of debts.

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ISSUES IN CORPORATE GOVERNANCE

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ABSTRACT

The present study finds that the new companies Act as it brings in sweeping lot of note in the new Companies Act as it brings in sweeping changes in the way the corporate is governed in India. The 2013 act enhances significantly the role and responsibilities of the board of directors by making them more accountable for their actions while protecting shareholder interest, also by mandating a woman director on the board, the intent of the 2013 act is to improve gender diversity and increase transparency. The 2013 Act clearly sets an example in corporate governance for other economies to emulate.

KEYWORDS

corporate governance, woman director.

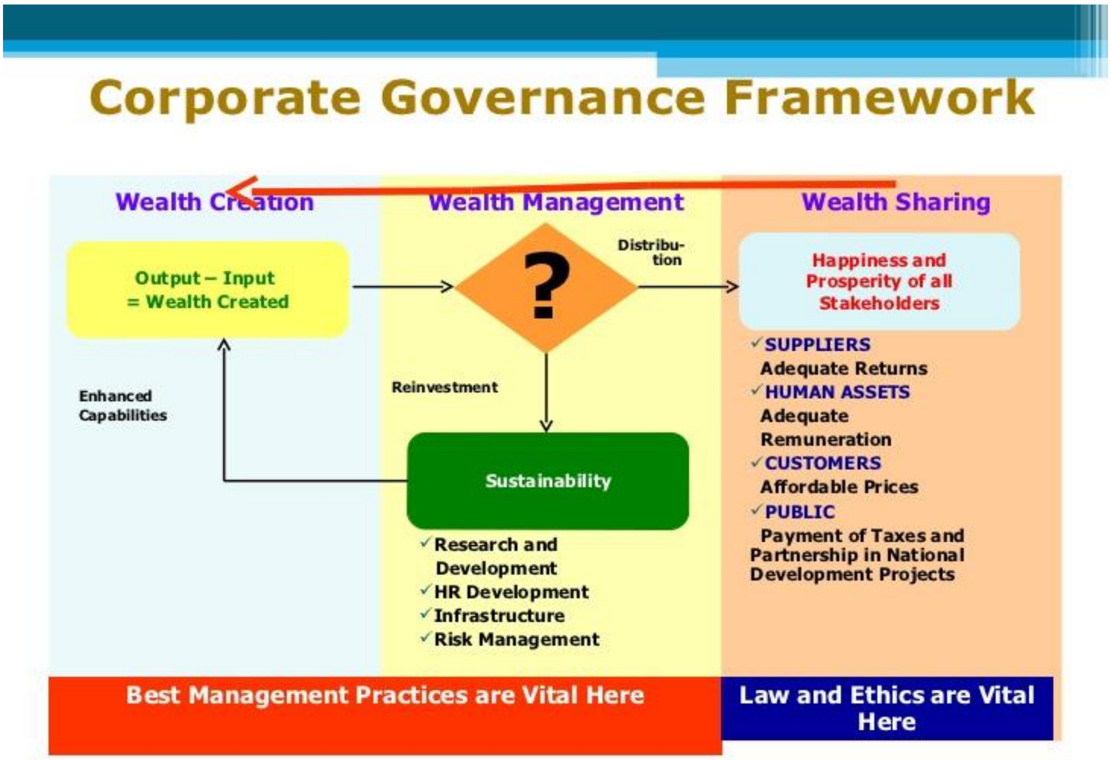
INTRODUCTION

Corporate governance broadly refers to the mechanisms, relations, and processes by which a corporation is controlled and is directed; involves balancing the many interests of the stakeholders of a corporation Corporate governance is intended to increase the accountability of the company and to avoid massive disasters before they occur. The new act has brought in significant changes in several aspects of corporate organization such as appointment of directors and key management persons, appointment of auditors, corporate governance and financial reporting requirements.

NEED FOR THE STUDY

Well-executed corporate governance deals with determining the ways to take effective strategic decisions, it gives ultimate authority and complete responsibility to the board of directors, in today's market-oriented economy the need for corporate governance has arisen and should weed out and eliminate problems with extreme prejudice.

FIG. 1



OBJECTIVES OF CORPORATE GOVERNANCE

1. Gain and maintain the trust of all stakeholders-trust in the way business is managed and supervised, trust in the company as a whole (financial and non financial reporting, risk control, etc)
2. To set management's policies which all employees must adhere, the policies established by the board are designed to create a transparency in an organization and allow individuals within or outside the company to hold the board, senior executives or other employees accountable for inappropriate behaviors or activities.
3. A corporation's founders or directors will draft bylaws that fall under the business's articles of incorporation to outline the manner in which the company should be run.
4. Objectives are set and pursued in the context of the social, regulatory and market environment.
5. Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

IMPLICATIONS OF STUDY

- Increasing the maximum limit of directors would bring in more flexibility and enable companies to get more experienced and competent personnel at the Board level.
- The prescribed minimum women representation on company board, is a step towards making the top deck more gender sensitive.
- The 2013 Act makes directors' disqualification more stringent, including more scrutiny around related party transactions.
- The 2013 Act intends to provide the Board sufficient time to prepare for the meeting.

FIG. 2

COMPANIES ACT 2013: GREATER EMPHASIS ON GOVERNANCE THROUGH THE BOARD AND BOARD PROCESSES

1. CA 2013 for the first time codifies the duties of directors
2. Every company is required to appoint 1 (one) resident director on its board.
3. Nominee directors shall no longer be treated as independent directors.
4. Listed companies and specified classes of public companies are required to appoint independent directors and women directors on their boards.

Corporate sector must necessarily turn to good governance in its pursuit of competitive excellence in a challenging business environment. There are already some corporates in our country which have taken up the cudgels and have been facing challenges in implementing corporate governance in their organizations

There are many provisions in statute book to penalize those who violate the norms of Corporate Governance but are hardly acted upon, either because of lack of will or due to political interference India has witnessed with an unfailing regularity corporate scams in

which millions of investors have lost their money. There are instances of vanishing companies who have duped unwary investors of their hard earned money yet market regulators have hardly penalized them either because they don't have the manpower or resources to investigate and go to courts of law.

1. INSIDER TRADING

With the adoption of the Companies Act, 2013, the Parliament has passed a law outside the purview of SEBI to regulate insider trading. The Companies Act had attempted to incorporate some of the provisions the SEBI (Prohibition of Insider Trading) Regulations, 1992, but SEBI has notified the SEBI (Prohibition of Insider Trading) Regulations, 2015, which changes the law on insider trading considerably. Therefore, there now exists two different regimes that regulate the offence of insider trading.

2. GOVERNANCE OF PUBLIC CORPORATIONS CONTINUES TO MOVE IN A MORE SHAREHOLDER-CENTRIC DIRECTION

It remains unclear whether, over the long term, greater shareholder influence will prove beneficial for shareholders, corporations and the economy. In the near term, however, there is reason to question whether shareholder influence is the panacea that some posited, or whether the current focus on shareholder value and investor protection is at the expense of other values that are central to the sustainability of healthy corporations. While the Companies Act provides clear instructions for maintaining and updating share registers, in reality minority shareholders have often suffered from irregularities in share transfers and registrations – deliberate or unintentional.

3. SHORT-TERM RETURNS Vs. LONG-TERM INVESTMENT

Significant pressures to focus on short term results in investment are necessary to position the corporation for long term success. Boards always support management in taking a long term view and help balance competing interests must also focus on short term results

4. INDEPENDENT DIRECTORS

Independent directors are expected to be independent from the management and act as the trustees of shareholders, this implies that they are obligated to be fully aware of the question of the conduct of organizations on relevant issues, the new concept of having Independent Director is a welcome step for corporate governance in India. The Act, 2013 has conferred greater empowerment upon Independent Director's to ensure that the management & affairs of a company is being run fairly and smoothly. But, at the same time, greater accountability has also been placed upon them but the critical issue is whether there are number of qualified individuals to fulfill the demand, chances are companies may find it difficult to satisfy the requirement of the act,

5. REMUNERATION AND REWARD OF DIRECTORS

Directors being paid excessive bonuses and salaries have been identified as significant corporate abuses for a large number of years. It is, however, unavoidable that the corporate governance codes have targeted this significant issue. Just as profits drive business, incentives drive the managers of business. Not surprisingly then, in a fiercely competitive corporate environment, managerial remuneration is an important piece in the management puzzle. While it is important to incentiize the workforce performing the challenging role of managing companies, it is equally important not to go overboard with the perks and the pay to keep a check on unnecessary profit squandering by companies and at the same time, to ensure adequate and reasonable compensation to managerial personnel, the law intervenes to do the balancing act.

6. DUTIES OF THE DIRECTOR

The new Indian Companies Act of 2013 is certainly a very innovative and landmark legislation in respect of the duties and responsibilities of the directors (of companies) also. Both broad categories of directors, namely, the directors having pecuniary relationship with the company, and the independent directors, have been properly considered under this mature legislation for directors. It is quite obvious from above illustrations that the CA-2013 sincerely seeks to make the corporate management and governance in India rather efficient, fully accountable, transparent, and maximally beneficial to all stakeholders and related professionals, through this intelligent legislation over duties and responsibilities of directors in Indian companies.

With this greater responsibility instilled on the directors comes greater accountability and liability as well. CA, 2013 is filled with such stringent penal provisions which did not feature in the earlier Act. While from the view of protecting the interest of the stakeholder's tighter vigilance is welcomed but from the provisions of CA, 2013 it seems it shall be more of a burden for directors to hold office.

7. RISE OF MINORITY SHAREHOLDERS

Democratic decisions are made in accordance with the majority decision and are deemed to be fair and justified while overshadowing the minority concerns. The corporate world has adopted this majority rule in decision making process and management of the companies. Statutory provisions in this regard have been provided under the Companies Act, 1956 ("**CA 1956**"), which is being replaced by the Companies Act, 2013 ("**CA 2013**").

CA 2013 has sought to invariably provide for protection of minority shareholders rights and can be regarded as a game changer in the tussle between the majority and minority shareholders. Various provisions have been introduced in CA 2013 to essentially bridge the gap towards protection and welfare of the minority shareholders under CA 1956.

Shareholders are the owners of a company and have the right to disagree with the management if they feel that it is not acting in the best interest of the company. However, what normally happens is that instead of contesting the management, which runs the company on shareholder's behalf, the minority shareholders prefer to sell their shares if they think that company is not on the right track.

8. WOMEN DIRECTOR

Section 149(1) of Companies Act, 2013 deals with women director. It states that every company shall have board of directors who are individuals with minimum number of three directors in case of a public company and two directors in case of a private company and one in case of One Person Company, a maximum of fifteen directors, further it is also stated that such class or classes of companies as mentioned above shall have at least one women director, but the issue is only 4% of the Indian companies directors are women, India has two companies in Fortune 500 Reliance Industries and Indian Oil but only one of their total of 30 directors is a women, the scarcity of women in the boardroom is not unique in India- nearly one-fifth of the world's 200 largest companies have no women directors

9. BUY-BACK OF SHARES

Under the 1956 Act, companies could do multiple buy-backs of shares in the same financial year except in certain specific facts where there was a cooling off period of one year. However, now the 2013 Act requires a mandatory one-year time period between any type of buy-back, even if the buy-back was achieved through a scheme approved by an Indian court. The 2013 Act also stipulates that a buy-back is not possible if the company has made any default in the repayment of deposits or interest, or redemption of debentures, or preference shares, or payment of dividend, or in the repayment of a term loan to a bank or financial institution. However, the buy-back may be possible if the defect is remedied, and a three-year time period has elapsed.

The earlier common practice of a back-to-back shareholder-approved buy-back following a board mandated buy-back is no longer possible under the 2013 Act, and this is likely to significantly delay and adversely impact investor exit options. It is noteworthy that with the introduction of a non-creditable tax on buy-back distributions under tax law, this route had already become less attractive

10. DECISION-MAKING POWER OF THE BOARD

Unlike under the Indian Companies Act 1956 ("1956 Act"), where an ordinary resolution (requiring a simple majority of shareholders) was sufficient, under the 2013 Act, certain powers of the board of directors can now only be exercised subject to a favourable special resolution (requiring a three-fourth majority of shareholders) being passed. These include important subjects such as the right to sell a substantial part of the undertaking or borrow money above certain specified thresholds. Special resolutions may also include conditions and the applicability of the provision has been extended to private companies as well. Further, there have been several important additions to the list of powers which are to be exercised by board of directors only at a meeting of the board, and cannot therefore be delegated. These include things such as the approval of financial statements, diversification of business and the approval of mergers and takeovers. Additionally, although the 2013 Act recognizes and permits board meetings to be conducted via video conference, certain decisions, including those relating to the approval of financial statements and mergers, cannot be made via video conference. Foreign investors ought to be wary of these changes, as they significantly curtail the decision-making power of the board and require increased shareholder support for positive company outcomes.

But, the critical issue will be if there are enough number of qualified individuals to fulfill the demand. Chances are companies may find it difficult to satisfy the requirement of the Act. Though the Act provides one-year period for companies to implement the provision, it would still be difficult task until sufficient persons with requisite skill sets are developed in India. Accordingly, it will become necessary to conduct and organize appropriate training sessions by recognized organizations/associations for suitable persons to develop the required skill sets for performing their entrusted responsibilities.

CONCLUSION

The 2013 act enhances significantly the role and responsibilities of the board of directors by making them more accountable for their actions while protecting shareholder interest, also by mandating a woman director on the board, the intent of the 2013 act is to improve gender diversity and increase transparency. Corporate governance is an area where the goalposts are always on the move and so there is always a need for advice." Good Corporate Governance may not be the engine for growth, but is essential for transparent and proper functioning of the Corporate Sector. With directors today much more attuned to their responsibilities and liabilities, top corporate governance lawyers are highly sought after by individuals and boards seeking counsel. The 2013 Act clearly sets an example in corporate governance for other economies to emulate.

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INTERNET BANKING SERVICE QUALITY AND ITS IMPACT ON CUSTOMER SATISFACTION

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ABSTRACT

The current study is a diffident attempt to determine the changes taking place after internet banking, to evaluate the banks' service quality and to know about customers' perceptions regarding internet banking. The specific objectives of the study are, to find out the impact of internet banking on service quality in banking sector in India; and to identify the gaps in operational performance and service quality of internet banking services and to make recommendations for improvement. Three public sector banks and three private sector banks were selected considering their asset base. In order to obtain an even more comprehensive and banking industry specific measure of the service quality, five more dimensions including 21 additional items were added to the SERVQUAL scale. So, the present research consists of mainly nine dimensions. The data required for performing this study was collected using a structured questionnaire administered to 150 customers in Pune city. The collected data are analyzed using Principal Component Factor Analysis. Suggestions are given based on the information interpreted from the data.

KEYWORDS

internet banking, SERVQUAL, customer satisfaction, factor analysis.

INTRODUCTION

Information Technology came into force in the year 1980 in banking business through the Rangarajan Committee recommendations. It absolutely transformed the way the banks and financial organizations were functioning. However, the implementation of Internet Banking can be achieved by popularizing the IT based deliverance channels like tel-internet banking, remote customer enquiry terminals, kiosks, internet banking, ATMs, mobile-internet banking, and phone-internet banking so that customers are facilitated to carry out most of the transactions without having to visit the Banks. Technology can be used in banking in four different ways such as to handle the lengthened customer database; to reduce considerably the cost of handling payments; to free the bank from conventional constraints on time and place; and to launch new products and services to the customers.

The banks are proactive and have been on fast-track to implement IT enabled services. Banks customers are clever and demanding and it is the widespread use of technology that enables banks to satisfy sufficiently the necessity of customers. The post liberalized banking industry in India has been witnessing a perceptible shift from the seller's market to the buyer's market. Reforms in the banking sector with the introduction of internet banking has brought structural changes in service quality, managerial decisions, operational performance, profitability and efficiency of the banks. There is increase in level of customer satisfaction, reduction in cost of banking functions, increased productivity and as such there is great scope for Indian banks to enlarge their internet banking services which could increase their competitiveness. There is a degree of difference in the services provided by the banks with the emergence of Internet banking services. So, it becomes essential to study internet banking services and their impact on the operational performance and service quality. The present study is therefore a diffident attempt to ascertain the changes taking place after internet banking, to evaluate the banks service quality and to know about customer perceptions regarding internet banking.

OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows:

1. To identify the gaps in operational performance and service quality of internet banking services and to make recommendations for improvement.
2. To assess the impact of service quality on internet banking.
3. To examine the level of customer satisfaction of internet banking services.

RESEARCH METHODOLOGY

The universe of the study consists of scheduled commercial banks. For the data collection, only public and private sector banks are taken into consideration. Three public sector banks and three private sector banks were selected and the criterion was the asset base i.e. the banks with bigger asset base have been selected. The public sector banks selected on the basis of their asset base structure include SBI, Indian Overseas Bank, Union Bank of India. The private sector banks include ICICI, HDFC and AXIS. A questionnaire was designed to achieve the second objective of the study which related to find the impact of service quality on internet banking. The data required for conducting this study was collected using self-administered questionnaire especially designed to achieve the said objective, which was drawn from 150 customers of the stated public and private sector banks in Pune.

The questionnaire consisted of two sections. The first section is related to the demographic information. The second section is comprised of 43 items, which were meant to measure consumer's extent of agreement regarding internet banking services in terms of nine main dimensions. To analyze the impact of service quality on internet banking from customers' angle, a modified SERVQUAL type questionnaire relevant to the internet banking industry was prepared. The questionnaire included 22 items from the original five dimensions (i.e. Tangibility, Reliability, Responsiveness, Assurance and Understanding) of the SERVQUAL instrument developed and updated by Parasuraman et al. (1994). In order to obtain an even more comprehensive and banking industry specific measure of the service quality, four more dimensions including 21 additional items were added to the SERVQUAL scale. So, the present study consists of mainly nine dimensions. The additional items were derived by going through the review of literature of the studies conducted in the internet banking sector, personal interviews with managers, employees, officers and customers of public and private sector banks. Thus, in total 43 items were included under nine dimensions (i.e. Tangibility, Reliability, Responsiveness, Assurance, Creditworthiness, Courtesy, Communication, Security and Understanding) to measure the service quality. The collected data are analyzed using Principal Component Factor Analysis.

REVIEW OF LITERATURE

Kautish (2008) described the paradigm shift of banking sector from traditional banking to online internet banking. It helped the banks to acquire more business from existing customers. People preferred to use online internet banking because of its availability, better performance, ubiquity, speed and its effectiveness. To improve the services through internet banking, banks should think from the customers' perspective and there should be creativity and innovation in designing and implementation of internet banking processes.

Suresh (2008) analyzed that internet banking will be an innovation if it preserved both business model and technology knowledge, and disruptive if it destroys both the model and knowledge. He also differentiated internet banking from traditional banking in five ways, namely, value proportion, market scope, cost structure, profit potential and value network.

Jayaraman Munuamy et. al (2010) – The study focuses on measurement of customer satisfaction through delivery of service quality in banking sector in Malaysia. The study also highlights the parameters for measurement of service quality and customer satisfaction. The survey methodology used was data collection from random respondent's general population. The findings of the study were that assurance factor has a positive relationship with customer satisfaction and reliability factor does not have much impact on customer satisfaction, as it is the timeliness and accuracy in service provided. Tangibility factor has higher positive correlation with customer satisfaction and there was no relation between empathy and satisfaction.

Fatima Holy Ghost et. al (2011) are of the opinion that Service Quality is important mainly in the service business enterprises. Growth and development of the enterprise majorly depends on the service quality. As service quality is the only way to satisfy majority customers, enterprises concentrate more on the service quality today. Quality in service is also interrelated to other behavioral outcomes of the customers. The study understands the various customer perceptions about the service quality factors like Assurance, Empathy, Responsiveness, Reliability and Tangibility in the banking industry and the satisfaction level towards the banks. It also analyses the impact of these service quality factors on the satisfaction level based on the demographic differences. The study collects the perceptions about the various service quality factors through purposive sampling method and analyses the impact of service quality factors. The data were collected on the basis of the various demographics like rural-urban area, education standards, income level, occupation, different age groups, etc. The study concludes by saying that there is a close bond between the service quality factors and the customer satisfaction level. It was also found that the impact of service quality factors on customer satisfaction varied with demography of the customers.

Heryanto (2011)- The objective of the study was to understand the influence of service quality on customer satisfaction on the main branch of Bank Nagari. A sample size of 100 customers of the bank was considered. Data was collected from population by accidental random sampling techniques. Simple regression model was used and various indicators were measured on a 5 level Likert scale. It was found that there is a significant relation between service quality and customer satisfaction. Service quality was very important and required actions like quick response, commitment, staff availability, right service at right time, complain solutions, competency and capability of the staff in the bank.

Muhammad Eshan Malik et. al (2011) – The study was carried out to understand how service quality perceptions contribute in satisfying the banking customers in Lahore, Pakistan. Data was collected from banking customers in Government, International and Privately held banks. The findings of the study revealed that not all SRRVQUAL dimensions have the role in boosting the satisfaction level of the customers in Pakistan. Assurance has higher contribution than Reliability. The study supports the positive relationship of service quality with satisfaction as found by Dagger et al. The relationship between service quality and satisfaction varies because of variability of the service quality dimension.

Santhiyavalli G (2011) the study was carried to evaluate the service quality of SBI in Coimbatore area and to understand the customer perception of service quality in selected branches of SBI and also the major factors responsible for customer satisfaction. Data was collected from 5 branches selected for study based on various demographic like age, gender, educational qualification, marital status, occupation and annual income. 22 variables were taken under the dimensions-tangibility, reliability, responsiveness, assurance and empathy. Gap analysis was used to find the shortfalls in the dimensions of service quality. 7 point Likert scale was used. The outcome of the study was the gap score were less for assurance, while highest for empathy factors. Factor analysis indicated that the five dimensions' assurance, empathy, tangibility, reliability and responsiveness were the major factors influencing the customer satisfaction.

Minjoon Jun (2011) – the objective of the study was to understand the customer perceptions on the internet service quality and the various dimensions associated with satisfaction. The study identified 17 dimensions of service quality which were classified as Customer service quality, banking service product quality and online systems quality. Critical Incident Technique (CIT) was used in the study to identify the key indicators of the Internet banking Service Quality. The study identified the attributes for Customer service quality like reliability, responsiveness, credibility, competence, courtesy, access, communication, understanding the customer, collaboration and continuous improvement. The study concludes by saying that any initiative for quality should begin with defining the customers. Identification and measurement of the customer expectations will help banks in assessing their service quality.

Parmita Mehta (2012) – The main objective of the study was measurement of service quality in the banking sector and Segmentation of customers based on the perception about the high end and low service quality factors and identifying the relation between the both. Data was collected from 1 public sector bank, 3 Private sector banks and 2 cooperative banks. Chi square test was used to understand the relationship between the two segments of the customers. It was found that Reliability dimension has the highest short fall and assurance factor has the lowest. Type of account is a significant variable in profiling the two segments.

Vibhor Jain et. al (2012) – This study was conducted to understand the perception of service quality in banking and to evaluate how it helps in enhancing the reputation and customer loyalty. Banks considered for the study are HDFC, Kotak, ICICI and IndusInd. The study has taken the SERVQUAL tool for measurement of the service quality. Five dimensions namely assurance, reliability, responsiveness, tangibility and empathy were used for response collection. The results of the study showed that Reliability and Responsiveness are the most relevant factors for service quality perception. It was found that HDFC bank has the highest quality perception in terms of all the dimensions followed by ICICI, Kotak and IndusInd.

Meenu Kumari (2015) Customer satisfaction is the major concern of all business organizations as satisfied customers are the most important asset for them. They are the ambassador of good will as well as help in business expansion. Many models are being used to understand what makes a customer more satisfied. SERVQUAL model has two parts –one to understand expectations of customers and the second to know their perception that is what they perceive. The gap between perception and expectation decides the satisfaction of customers. The present study focuses on customers' satisfaction from the services provided by private sector banks using SERVQUAL model. Survey method has been used to collect the primary data on expectations and perception of customers on five dimensions (Tangibility, Assurance, Empathy, Reliability and Responsiveness) of service quality and gap is identified. The result suggests that perception of customers on Tangibility, Responsiveness, Reliability and Assurance are more than expectation while it is less in case of Empathy.

ANALYSIS OF DATA

The basic attributes of the respondents are income, age, sex, occupation, educational qualification and other socio-demographic information.

TABLE 1: FREQUENCY ANALYSIS OF DEMOGRAPHIC VARIABLES:

Variables	Category	Frequency	Percentage Frequency
Gender	Male	74	49.3
	Female	76	50.7
Age	< 20 years	13	8.7
	20-30 years	58	38.7
	30-40 years	38	25.3
	40-50 years	26	17.3
	Above 50 years	15	10.0
Educational Qualification	High School	10	6.7
	Pre university	21	14.0
	College Graduate	47	31.3
	Post Graduate	51	34.0
	Professional Studies	21	14
Occupation	Government Employee	29	19.3
	Business	40	26.7
	Professional	34	22.7
	Home makers	12	8.0
	Student	14	9.3
	Others	21	14.0
Income	10,000 – 20,000	43	28.6%
	20,0000-50,000	19	12.7%
	50,000-1 Lakh	24	16.0%
	1 lakh – 2 lakhs	34	22.7%
	>2 lakhs	30	20%
Bank operated	State Bank of India	27	18.0
	Indian Overseas Bank	26	17.3
	Union Bank of India	24	16.0
	ICICI Bank	23	15.3
	AXIS Bank	26	17.3
	HDFC Bank	24	16.0

Source: Primary Data

From the above Table-1 it can be seen that the sample consists of males (49.3%) and females (50.7%). Majority of the respondents (38.7%) are in the age group of 20-30 years, 25.3% are in the age group of 30-40 years, 17.3% in the age group 40-50 years and 10% above 50 years. About 34% respondents are post-graduate, 31.3% are graduates and 14% are having the professional degrees. This shows that the sample is skewed towards the more educated segment of the population. About 19.3% of the respondents are Government Employees, 26.7% are businessmen and 22.7% are professionals. 20% of the respondents are having the income more than 2 lakhs, 28% are having in between 10,000-20,000, 12.7% in between 20,000 -50,000, 16% between 50,000- 1 lakh, 22.7% and between 1 lakh-2 lakh. All the banks under study were almost equally preferred.

CUSTOMER SERVICE QUALITY COMPARED WITH RESPONDENTS PROFILE

The following analysis explains the customer service quality rating across categorical variables as age, gender, occupation, income, bank operated. The tables given below gives the descriptive statistics like mean, number of respondents and standard deviations. ANOVA has been used to test the hypothesis to establish relationship between the customer service quality rating and the categorical variables.

TABLE 2: CUSTOMER SERVICE QUALITY RATING DISTRIBUTED ACROSS AGES GROUPS

Age	Mean	N	Std. Deviation
<20 years	3.6704	13	.88393
20-30 years	3.5973	58	.97416
30-40 years	3.6748	38	.89423
40-50 years	3.6451	26	.94347
Above 50 years	3.7233	15	.87563
Total	3.6628	150	.91428

The mean of service quality rating by customers is more or less the same across all age groups. There is no much difference in the perception of customers of various age groups. However, the satisfaction level of customers in the age group greater than 50 was the highest with the mean score of 3.72 and the lowest satisfaction was of those customers who belonged to the age group 20-30 years. Further the ANOVA test which was run on the data also shows that there is no significant relationship between age and the service quality rating of customers.

TABLE 3: CUSTOMER SERVICE QUALITY RATING DISTRIBUTED ACROSS GENDER

Gender	Mean	N	Std. Deviation
Male	3.458	74	.8623
Female	3.643	76	.9535
Total	3.5505	150	.9079

The satisfaction level of customers in respect to service quality was rated higher by female customers as compared with male customers.

TABLE 4: CUSTOMER SERVICE QUALITY RATING DISTRIBUTED ACROSS OCCUPATIONAL GROUPS

Occupation	Mean	N	Std. Deviation
Government Employee	3.6543	29	.94855
Business	3.9782	40	.94625
Professional	3.6738	34	.88423
Home makers	3.3651	12	.87347
Student	3.4533	14	.84563
Other	3.6775	21	.87845
Total	3.6287	150	.89869

There is considerable variation observed in the ratings given by customers belonging to various occupational groups. Home makers who were the least number who responded expressed least satisfaction of the customer service quality of banks. Business class has given a high rating to the quality of banking services. This probably reflects that the banks are serving the Business classes better with premium services. The maximum number of respondents was business class and their mean score of satisfaction was 3.978

TABLE 5: CUSTOMER SERVICE QUALITY RATING DISTRIBUTED ACROSS INCOME GROUPS

Annual Income (Rs.)	Mean	N	Std. Deviation
Less than 2 lakh	3.4543	43	.94855
2 - 4 lakhs	3.5682	19	.94625
4 –10 lakhs	3.8538	24	.88423
10 – 20 lakhs	3.7351	34	.87347
More than 20 lakhs	4.4233	30	.84563
Total	3.8069	150	.89962

Significant observation is that customers with income of more than 20 lakhs have expressed a very high level of satisfaction to the services of Banks. This might be due to the fact that banks probably focus on the high net worth of individuals and business classes. Hence the rating is 4.42 on 5. Respondents with incomes of 10-20 lakhs and 4-10 lakhs have a satisfaction score higher than the average mean score. The ANOVA results also show that there is a significant relationship between the service rating and the income of the customers.

TABLE 6: CUSTOMER SERVICE QUALITY RATING DISTRIBUTED ACROSS BANK OPERATED

Bank operated	Mean	N	Std. Deviation
State Bank of India	4.1432	27	.98634
Indian Overseas Bank	3.6231	26	.87135
Union Bank of India	3.6456	24	.84356
ICICI Bank	4.0589	23	.97452
AXIS Bank	3.5233	26	.84563
HDFC Bank	3.8765	24	.88920
Total	3.8117	150	.90176

The above table clearly indicates the standardization of most of the services by Banks in India. All the banks have gained satisfaction score of above 3 from their customers. State Bank of India, a public sector bank is rated highest among all the banks under study.

TABLE 7: CUSTOMER SERVICE QUALITY RATING BASED ON TYPE OF BANK OPERATED

Type of Bank operated	Mean	N	Std. Deviation
Public Sector	3.5893	77	.97163
Private Sector	3.7654	73	.89125
Total	3.6775	150	.93144

The customer service quality has been high in case of private banks and low in public sector banks. ANOVA results on testing relationship between Service Quality rating and Type of Bank show that there is a significant relationship between the two.
Hypothesis to test independence of Service Quality Rating from Categorical Variables:
H_0: Service quality rating is independent of variables such as age, gender, occupation, income and bank operated.
H_1: Service quality rating is not independent of variables such as age, gender, occupation, income and bank operated.

TABLE 8: RESULTS OF THE ANOVA TEST USED TO ESTABLISH RELATIONSHIP OF SERVICE QUALITY WITH DEMOGRAPHIC VARIABLES

Independent Variable	F statistic	P value	Significance at 5%	Acceptance of Hypothesis
Age	0.935	0.438	Not Significant	H_0 is accepted
Gender	0.963	0.313	Not Significant	H_0 is accepted
Occupation	2.754	0.013	Significant	H_1 is accepted
Income	4.834	0.001	Significant	H_1 is accepted
Bank operated	2.472	0.000	Significant	H_1 is accepted
Type of Bank	4.634	0.007	Significant	H_1 is accepted

From the above table, it is brought out that customer service quality rating varies with demographic variables like occupation, income, bank operated and type of bank. However, customer service quality rating does not vary with age and gender.

SERVICE QUALITY LEVEL OF BANKS USING SERVQUAL MODEL

For the measurement of impact of internet banking on service quality, SERVQUAL model developed by Parasuraman et.al (1985) has been used. The data collected through the questionnaire was analyzed by using factor analysis, ANOVA, KMO and Bartlett's Test of Sphericity. The first step was to determine whether the nine dimensions could be viewed as appropriate indicators of banking industry. The second step was to assess the variables underlying the various dimensions. Accordingly, 43 variables were developed to assess the nine dimensions and tested for their relevance in conceptualizing service quality.
The 43 service quality variables were factor analyzed to determine whether there exist underlying dimensions of service quality. The objective of the analysis was to summarize the information contained in the original 43 variables in to smaller sets of newly correlated composite dimension or factors. Only variables with factor loading of 0.40 (Hatcher, 1994) were considered important for further analysis and data reduction and other were excluded. Cronbach alpha and Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphercity was used to measure the reliability of data. If the value of KMO and Cronbach alpha in any variable is greater than 0.50 than the data will be regarded as reliable for research. The factors with Eigen value equal to or greater than 1 were considered significant and chosen for interpretation.

In order to conduct factor analysis on 43 variables of service quality, the various sub dimensions have been divided into 9 main dimensions namely Accessibility, Communication, Credibility, Competency, Reliability, Responsiveness, Security, Understanding and Tangibility. Each dimension consists of 4-5 sub dimensions. But all these dimensions are not equally important for measuring the service quality in banking industry. So, factor analysis was used to extract those factors having Eigen value greater than 1. To study the impact of service quality on internet banking and to identify the important factors for the customers to choose internet banking, two assumptions have been framed. To know the impact of internet banking on the level of customer satisfaction, all factors are equally important. There is no correlation among the different factors to judge the level of customer satisfaction.

TABLE 9: MEASURING THE RELIABILITY OF DATA

Variables	Kaiser-Meyer- Olkin Measure(KMO)	Bartlett's Test of Sphericity (Approx.Chi-square)	d.f.	Significance Level
Accessibility	0.507	179.659	6	0.000
Communication	0.520	171.384	21	0.000
Competence	0.663	206.790	6	0.000
Credibility	0.591	205.889	10	0.000
Reliability	0.581	74.399	3	0.000
Responsiveness	0.666	275.346	6	0.000
Security	0.666	154.181	6	0.000
Tangibility	0.742	332.709	15	0.000
Understanding	0.797	211.037	15	0.000

In order to know the various factors considered important for the customers, two tests were conducted under the factor analysis to judge the reliability of data, i.e., Kaiser-Meyer-Olkin measure of sampling adequacy and Bartlett test of sphericity. The results so obtained were subjected to both these tests. The value of KMO statistics in all the factors is >0.5. Hence, all the factors are not considered equally important for measuring the service quality of internet banking. Therefore, null hypothesis is rejected. Bartlett's test of sphericity shows the value of Chi-square which is significant at 0.000 levels in all the dimensions of service quality. These two tests show that the data is fit for conducting the factor analysis.

IDENTIFICATION OF NINE SERVICE QUALITY FACTORS

Principal Component Analysis method was employed for extracting the factors. All the variables with their factor loadings and percentage of variance explained by each factor are given in the following tables used on forty-three items of service quality.

Principal Component Factor Analysis, Percentage of Variance Explained and factor Loadings

Nine factors have been extracted with the help of different dimensions of service quality. The percentage of variance explained by the factors individually varies from 38.915 to 58.579 and the communalities vary from 0.460 to 0.778. All the factors have been given appropriate names on the basis of various variables present in each case. The structure of these nine factors is discussed below

TABLE 10: ANALYSIS OF CUSTOMERS' PERCEPTION OF ACCESSIBILITY

S No.	Variable	Factor Loading
1.	Internet banking service is accessible via Internet banking, mobile banking, EFT, ECS, ATM. 24/7	0.467
2.	Online purchase of goods and services including online payment is easier.	0.676
3.	It provides convenient location of service facility (location of ATM, POS terminals)	0.794
4.	It reduces the waiting time to receive the service.	0.659
	Cronbach Alpha	0.556
	Eigen value	1.740
	Percentage of variance(sum of square loadings)	43.491

An examination of factor analysis indicated that in **accessibility** factor, 'Convenience' had the greatest influence on the satisfaction with 0.794 factor loading. It means that internet banking provides convenient location of service facility through the location of ATM or point of sale terminals.

TABLE 11: ANALYSIS OF CUSTOMERS' PERCEPTION OF COMMUNICATION

SNo.	Variable	Factor Loading
1.	Internet banking explains the service itself.	0.496
2.	It explains the cost of service being used.	0.676
3.	It assures the customer that problem will be handled.	0.633
4.	It explains the tradeoff between service and cost.	0.519
5.	Internet banking provides up to date information.	0.520
6.	It also provides sophisticated information for well educated customers.	0.728
7	Internet banking provides effective medium of promotion of various schemes	0.695
	Eigen value	1.57,1.34, 1.22
	Cronbach Alpha	0.780
	Percentage of variance(sum of square loadings)	59.077

Out of the 7 factors, 3 are extracted which are combination of five variables. In the first extraction 'sophistication' (.728) dominated among all other factor loadings. This shows that internet banking provides sophisticated information to well educated customers.

TABLE 12: ANALYSIS OF CUSTOMERS' PERCEPTION OF COMPETENCE

SNo.	Variable	Factor Loading
1.	Transfer of fund is easier through Internet banking.	.418
2.	Internet banking provides more punctuality, transparency, accountability.	.745
3	Transfer of funds is faster as compared to manual banking system.	.776
4.	It is trusted by young generation.	.750
	Eigen value	1.896
	Cronbach alpha	.614
	% of variance(sum of square loadings)	47.393

As far as **competence** dimension is concerned, transfer through 'internet banking is easier', 'provides more punctuality, transparency and accountability', 'faster as compared to manual banking system' and 'trust factor' represents 47 per cent of variance hence showing that internet banking has improved the competence of the banks

TABLE 13: ANALYSIS OF CUSTOMERS' PERCEPTION OF CREDIBILITY

SNo.	Variable	Factor Loading
1.	Internet banking increases the reputation of the banks.	0.772
2.	It increases the believability, honesty and trustworthiness of the customers in banks.	0.823
3.	It ensures the ability to fulfill the requirement.	0.701
4.	Degree of reliability involved in interaction with customer is more in E- banking.	0.471
5.	It provides unlimited network to the banks to approach Customers	0.346
	Cronbach Alpha	0.787
	Eigen value	1.684, 1.254
	Percentage of variance(sum of square loadings)	58.759

First component extracted 'reputation' and 'trustworthy' with 0.772 and 0.823 factor loading which are closer to one. This extraction provided that customers consider internet banking services as reliable source of banking which has enhanced the reputation of the bank on the one side and trust of the respondents on the other.

TABLE 14: ANALYSIS OF CUSTOMERS' PERCEPTION OF RELIABILITY

SNo.	Variable	Factor Loading
1.	It provides accuracy in billing.	0.776
2.	It helps in keeping records correctly.	0.722
3	It performs the service at designated time.	0.615
	Cronbach Alpha	0.699
	Eigen value	1.502
	Percentage of variance(sum of square loadings)	50.061

The results indicated that factors corresponding to **reliability** comprised 3 factors with factor loading of 0.776, 0.722 and.615 for 'accuracy', 'correct' and 'timely information', these factors comprising 50 per cent of the variance and principal component extracted one component with the combination of two factors having high factor loading of accuracy and correct.

TABLE 15: ANALYSIS OF CUSTOMERS' PERCEPTION OF RESPONSIBILITY

SNo.	Variable	Factor Loading
1.	Internet banking is very necessary for the development of new economy of India.	0.714
2.	It improves the quality of customer service.	0.724
3.	Response of service through internet banking is very prompt and quick.	0.798
4.	Availability of service is faster in internet banking as compared to manual banking.	0.617
	Cronbach Alpha	0.679
	Eigen value	2.051
	Percentage of variance(sum of square loadings)	51.281

The above results indicate that 'development', 'quality', 'quick and fast' did reasonably well in predicting customer satisfaction in this dimension and out of these four, three factors are having loading more than 0.7 and closer to 1 representing 51%t of the total variance with only one initial Eigen value of 2.051. It signifies that by improving the quality of customer service, internet banking has contributed for the development of new economy of India.

TABLE 16: ANALYSIS OF CUSTOMERS' PERCEPTION OF SECURITY

S. No.	Variable	Factor Loading
1.	Internet banking ensures physical safety of the transaction.	0.582
2.	Password facility provides confidentiality to transaction.	0.752
3.	It also increases the financial security.	0.687
4.	Privacy can be easily maintained.	0.660
	Cronbach Alpha	0.691
	Eigen value	1.811
	Percentage of variance(sum of square loadings)	45.271

As far as the **security** dimension is concerned, it is a combination of four sub-dimensions namely 'safety', 'confidence', 'security' and 'privacy' but only one factor 'confidence' is having high factor loading of 0.752. As internet banking is mainly operated through password be it internet banking or ATM.

TABLE 17: ANALYSIS OF CUSTOMERS' PERCEPTION OF TANGIBILITY

S. No.	Variable	Factor Loading
1.	Banks use advanced Computers/IT to serve clients.	0.648
2.	Internet banking provides modern looking equipment.	0.749
3.	Physical representation of service through plastic card, credit and debit card is easy.	0.467
4.	Internet banking provides 24 hours, 365 days a year service to customers.	0.706
5.	It helps in reducing the no. of queues in the bank branches.	0.555
6.	Internet banking provides more physical facilities to the customers.	0.572
	Cronbach Alpha	0.678
	Eigen value	2.335
	Percentage of variance (sum of square loadings)	38.915

The statement of physical representation has a factor loading of 0.467, hence not included in further extraction. In this dimension modern looking equipment (0.749) and hours (0.706) signifies higher impact on tangibility of service hence internet banking services are more facilitative.

TABLE 18: ANALYSIS OF CUSTOMERS' PERCEPTION OF UNDERSTANDING

SNo.	Variable	Factor Loading
1.	It provides individualized attention to the customers.	0.693
2.	It provides necessary information to the customers.	0.478
3.	Website of the bank is designed according to the need of the customer.	0.502
4.	It ensures to provide necessary information to the customer.	0.718
5.	Internet banking learns the specific requirement of the customer.	0.372
6.	It helps in better customer relationship, attracting and retaining them	0.730
	Cronbach Alpha	0.808
	Eigen Value	1.995,1.057
	Percentage of variance (sum of square loadings)	50.862

The results indicated that 'need' (0.693) and 'assurance' (0.718) are the main factors signifying the customers in this dimension. In the second component 'relationship' (0.730) is likely to have an important and positive effect on customer satisfaction. These dimension recommended that as the websites of the banks are designed according to the need of the customers, so it ensures timely and required information to the customer.

FINDINGS

- The satisfaction level of customers in the age group of more than 50 years is highest with the mean score of 3.72 and the lowest satisfaction is of those customers who belonged to the age group 20-30 years with a mean score of 3.59.
- The satisfaction level of customers in respect of service quality was rated higher by female customers as compared with male customers.
- There is considerable variation observed in the ratings given by customers belonging to various occupational groups.
- Respondents classified as Home makers who were the least number, expressed least customer satisfaction of the customer service quality of Banks. Business class has given a high rating to the quality of Banking services.
- Banks focus more on the high net worth individuals and business classes, hence satisfaction of high income group and business class have expressed high levels of satisfaction.
- The customer service quality rating has been very high in case of private banks and low in case of public banks.
- Customer Service Quality Rating of Banks does not vary with age and gender.
- Customer Service Quality Rating of Banks varies with demographic variables like occupation, income, bank operated and type of bank.
- The results of factor analysis indicated that reliability, responsiveness, communication, accessibility, courtesy, communication, credibility, security, understanding and tangibility did reasonably well in predicting overall customer satisfaction regarding internet banking.
- Tangibility has no significant relation to customer satisfaction.
- In addition; communication, credibility, responsiveness and competence exhibited the strongest association with overall service improving quality.

SUGGESTIONS AND CONCLUSION

The banks must improve its service quality in terms of accessibility, credibility, tangibility, security and competence. The study suggested that banks should enhance level of services in the dimensions like 'online purchase of goods and services', reduction in e-payment cost', 'up to date information', 'sophisticated information to well educated customers', 'To provide various effective modes for promotional schemes', 'interaction with the customers', 'more accuracy in billing', 'financial security' and 'privacy in transactions'. The banks should increase the service quality by enhancing level of services in 'punctuality, transparency and accountability', quality of customers service', 'safety and confidentiality of transaction', 'Number of queues in bank branches', '24 hours services to the customers', 'provide individualized attention and necessary information to customers' and also 'learn the specific requirement of customers'.

The service quality of Indian banking sector has been assessed only in Pune city in India. So service quality could be studied for all other states of India. The study has been focused only on the performance and service quality aspect of internet banking. The impact of internet banking on profitability has been ignored which can give a good platform for future research.

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TREND OF INDIAN AGRICULTURAL EXPORT AND ITS COMPOSITION: OVER A DECADAL COMPARISON

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ABSTRACT

This paper examined the trend of Indian agriculture export over a decade. For the purpose of the paper to understand the trends and composition in export over the decadal comparison, for these used compound growth rate and percentage. Entire study period has been divided into two halves i.e., 1994 to 2004 and 2004 to 2014. The study proves that rise in agricultural export is more in comparison to national exports. Growth of percentage share of each of the commodity groups indicates improvement for all except coffee and oil meal which has negative growth. It is concluded that the share of agricultural export from India has phenomenally increase in the previous decade.

KEYWORDS

agriculture, export, growth, composition, trend, decadal comparison.

INTRODUCTION

Indian agriculture has greatly contributed to foreign trade even in its traditional form. Indian Agricultural products have been facing stiff competition from Asian countries for quite some times. Due to globalisation and liberalised regime, this competition is likely to increase further and new initiatives in agriculture development shall have to meet the emerging challenges. The performance of agriculture after integration with the world markets is linked to the success of exports. In its bid to increase overall exports, the government of India has decided to achieve this objective by giving a push to production and export of agricultural commodities. Agriculture has been a source of foreign exchange for India in the past. Most of the export earnings came from agricultural business, the conventional items such as tea, cashew and spices.

India's share in the world agricultural exports is very low in many items. Until the beginning of the early seventies, India has been an importer of a number of agricultural commodities. With the exception of a few commodities like rice, cotton, tea, coffee, oil meal, Marine products, tobacco and spices etc. the share of agricultural export of India in total world trade was very insignificant. The share is particularly low in the world trade of fish, meat, chicken, vegetables and fruits India have made substantial strides in the total world production of many commodities. However, its share in the export market is relatively very small. The pertinent questions of marketable surplus and export surplus are ailing the export potentials of Indian agricultural products. Nevertheless, the country has made phenomenal efforts in enhancing the agricultural exports.

OBJECTIVES OF THE STUDY

1. To study the growth and Performance of agricultural commodities export from India.
2. To study the structure and composition of agricultural commodities export from India.

METHODOLOGY

This study is based on the time series data from 1994-2004 to 2004-14 of value of export (Rupees Billion). The data were collected from electronic data base of Ministry of Commerce, www.Indiastat.com, www.rbi.org.inand Foreign Trade and Balance of payment published by Centre for Monitoring Indian Economy.

For the analysis of composition of agricultural exports appropriate statistical tools like percentage share, average values, and Compound Annual Growth Rate (CAGR) are used. For the purpose of analysis of structure and composition entire study period is divided into two halves i.e., 1994 to 2004 and 2004 to 2014.

FINDINGS AND RESULT

GROWTH AND PERFORMANCES

Table: 1shows that the share of agricultural exports in the total exports was 15.99 per cent in 1994-95, which has increased to nearly 4 per cent by the year 1996-97, there after the share was continuously declining and it reduced to 7.6 per cent in 2003-04. The share of Agricultural export in total export in last decade was 15.3 per cent.

TABLE: 1. SHARE OF AGRICULTURE AND NON-AGRICULTURE EXPORT IN TOTAL EXPORTS OF INDIA DURING 1994-2004

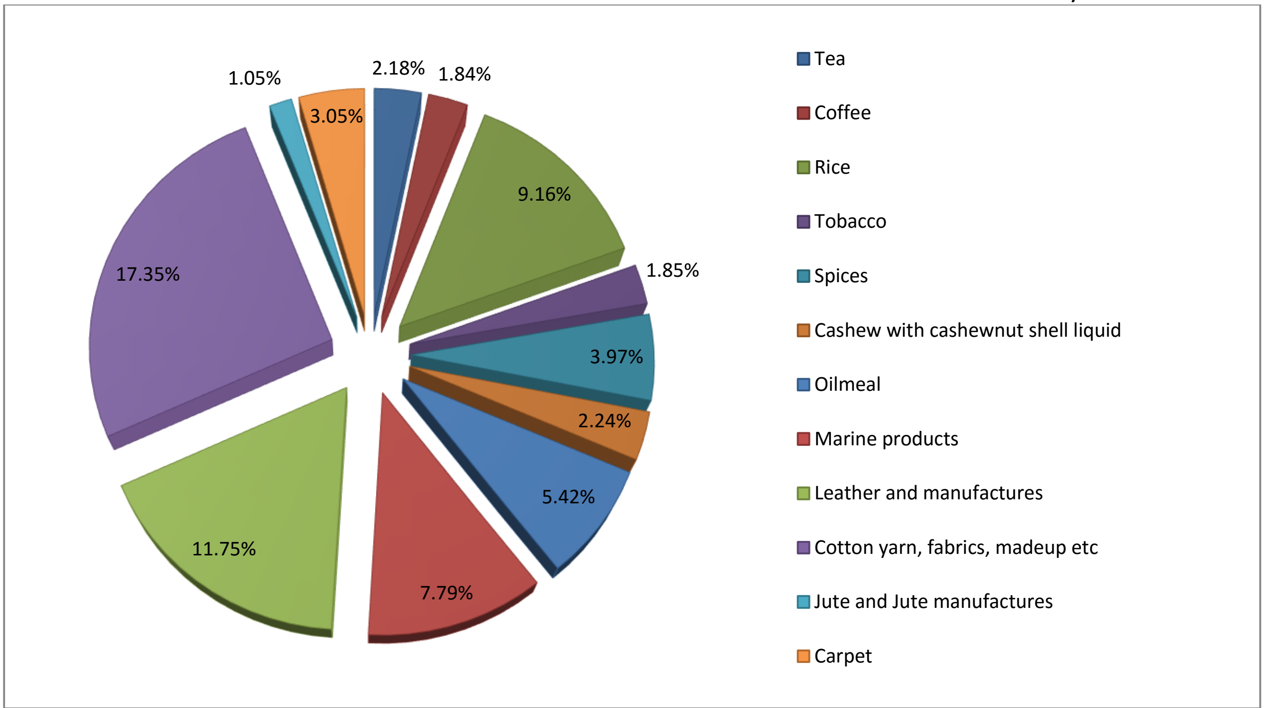
(Quantity: in ' 000 Tonne; Value's. in Corer)

Year	Total Exports (Rs. In Corer)	Agriculture and allied products Export	Percentage Share of Agricultural Export
1994-95	82673.4	13222.76	15.99
1995-96	106353.35	20397.74	19.18
1996-97	118817.32	24161.29	20.33
1997-98	130100.6	24837.45	19.09
1998-99	139751.77	25510.64	18.25
1999-00	159095.2	25313.66	15.91
2000-01	201356.45	25313.66	14.23
2001-02	209017.97	29728.61	14.22
2002-03	255137.28	34653.94	13.58
2003-04	293366.75	37266.52	12.7
Total	**1695670.09**	**260406.27**	**15.3**
2004-05	375339.53	41602.65	11.08
2005-06	456417.86	49216.96	10.78
2006-07	571779.28	62411.42	10.92
2007-08	655863.52	79039.72	12.05
2008-09	840755	85951.7	10.22
2009-10	845534	89341.3	10.57
2010-11	1148170	20185.48	10.47
2011-12	1465959	187609.33	12.8
2012-13	1634673	232041.11	14.1
2013-14	1894182	268469.05	14.17
Total	**9888673**	**1115868.72**	**11.2**

Source: www.Indiastat.com (Fig in the parentheses shown the % of total export of respective year)

Between the year 2006-07 and 2007-08 there was an increase of 1.13 per cent. With a fall in 2008-09 to 10.22 per cent it has seen a growth of 0.25 per cent in 2009-10. Between the year 2011-12 and 2012-13 there was an increasing of 1.3 percent. Whereas the share of Agricultural export in total export in present decade was 11.2 per cent, which was almost 4 per cent less than previous decade.

FIGURE 1: SHARE OF COMMODITY GROUPS IN TOTAL AGRICULTURAL EXPORTS FROM 1994 TO 2014)



Source: www.rbi.org.in

Figure 1, shows the average composition of India's agricultural export, from 1994 to 2014 in Rupees Billion. This is worked out by adding the commodity group wise export earnings of Twenty years from 1990 to 2014.Jute and jute manufactures, coffee, Tobacco, Tea, Cashew with cashew nut shell liquid though occupy a negligible share in the agricultural export as 1.05 %,1.84 %,1.85 %,2.18%,2.24% respectively. The total revenue generated from cotton yarn and fabrics and Rice is 17.35% and 9.16 % during 1994to 2014.The total earning from Leather and manufactures increased by 11.75%, where from marine product it increased by 7.79%.

GROWTH RATE IN AGRICULTURE EXPORT

Observations from table 2 reveal that highest CAGR value of 10.82 per cent was of Tobacco, followed by spices, Cotton yarn, fabrics made-up, marine products, Leather &Manufactures. For Tea, Coffee, Rice, cashew with cashew nut shell liquid, Oil Meal, Jute &jute manufactures, and Carpet where the value was less than 10 per cent from the period between 1994 to 2004. The negative CAGR values observed for commodities such as Coffee, and Oil Meal.

The CAGR in present decade shows better performance than last decades. The highest growth rate was observed in Spices (23.37 %) followed by Rice (21.41 %), Tobacco (17.39), Oil meal and Marine product (15 % each) total agricultural export. All the commodities except Coffee, and Oil meal, the other product like tobacco, spices and cotton yarn, fabrics, Marine product have performed better than the total agricultural export performance in present decade. The CAGR value for total agricultural export for the period from 1994-2004 was 8.20 per cent and 2004-2014 was 16.16 per cent. For the total agriculture export there is an improvement in the CAGR value from 8.20 in first period to 16.15 in second periods. **Whereas, the share of Agricultural export in total export in present decade was 16.16 per cent, which was almost 7.96 per cent increase than previous decade.**

TABLE 3: COMMODITY WISE COMPOUND ANNUAL GROWTH RATE OF AGRICULTURAL EXPORT (Rupees Billion)

Compound Annual Growth Rate			
Sr. No	Commodities	From 1994-2004	From 2004-2014
1	Tea	5.43	12.48
2	Coffee	-3.20	14.82
3	Rice	6.88	21.41
4	Tobacco	10.82	17.39
5	Spices	8.72	23.37
6	Cashew with cashew nut shell Liquid	5.65	9.62
7	Oil Meal	-0.92	15.43
8	Marine product	7.62	15.10
9	Leather &manufactures	7.28	11.46
10	Cotton yarn, fabrics made-up etc	8.11	11.82
11	Jute & jute manufactures	6.34	8.22
12	Carpet	4.61	6.20
	Total Agriculture export of India	**8.20**	**16.16**

Source: www.rbi.org.in

TABLE 4: YEAR WISE AND COMMODITY WISE TOTAL EXPORT (Rupees Billion)

year	Tea	Coffee	Rice	Tobacco	Spices	cashew with cashew Nut shell	Oil Meal	Marine Products	Leather & Manufactures	Cotton yarn, fabrics, made-up	Jute & Jute Manufactures	carpet	Total	% share
1994-95	9.76	10.53	12.06	2.55	6.12	12.47	17.98	35.37	50.57	70.14	4.73	17.58	249.86	6.1
1995-96	11.71	15.03	45.68	4.47	7.94	12.37	23.49	33.81	58.61	86.19	6.21	18.85	324.36	7.92
1996-97	10.37	14.27	31.72	7.57	12.02	12.88	34.95	40.08	57.01	110.82	5.52	20.96	358.17	8.74
1997-98	18.76	16.96	33.71	10.7	14.1	14.07	34.35	44.87	61.57	121.32	6.94	20.28	397.63	9.71
1998-99	22.65	17.28	62.81	7.62	16.33	16.32	19.42	43.69	69.87	116.62	5.82	22.87	421.3	10.29
1999-00	17.85	14.35	31.26	10.09	17.67	24.61	16.38	51.25	68.91	133.88	5.45	27.95	419.65	10.25
2000-01	17.89	11.85	29.32	8.67	16.18	20.54	20.45	63.67	88.83	158.1	6.91	26.57	468.98	11.45
2001-02	17.19	10.95	31.74	8.08	14.97	17.94	22.63	58.98	91.1	146.55	6.12	24.33	450.58	11
2002-03	16.52	9.94	58.31	10.23	16.56	20.62	14.87	69.28	89.45	162.18	9.08	25.78	502.82	12.28
2003-04	16.37	10.86	41.68	10.97	15.44	17.05	33.48	61.06	99.39	156	11.14	26.91	500.35	12.22
Total	**159.07**	**132.02**	**378.29**	**80.95**	**137.33**	**168.87**	**238**	**502.06**	**735.31**	**1261.8**	**67.92**	**232.08**	**4093.7**	**100**
2004-05	18.4	10.69	67.69	12.55	18.83	24.89	31.78	64.69	108.81	155.02	12.41	28.6	554.36	5.06
2005-06	17.31	15.89	62.21	13.31	21.16	25.93	48.75	70.36	119.44	174.65	13.12	37.75	619.88	5.66
2006-07	19.7	19.69	70.36	16.85	31.58	25.07	55.04	80.01	136.5	190.89	11.78	41.99	699.46	6.39
2007-08	20.34	18.72	117.55	19.32	43.15	22.35	81.4	69.27	141.01	187.34	13.19	37.98	771.62	7.05
2008-09	26.89	22.56	111.64	34.61	63.38	29.31	102.69	70.66	163.55	189.3	13.76	35.65	864	7.89
2009-10	29.44	20.32	112.55	43.44	61.57	28.29	78.32	99	159.46	174.79	10.33	34.82	852.33	7.78
2010-11	33.54	30.1	115.86	39.85	80.43	28.53	110.7	119.17	178.18	263.61	20.92	47.18	1068.07	9.76
2011-12	40.79	45.35	241.09	40.06	132.2	44.5	117.96	165.85	229.72	326.12	22.26	40.71	1446.61	13.22
2012-13	47.19	47.11	338.58	50.3	153.65	40.97	165.2	188.41	265.97	409.47	21.24	53.74	1781.83	16.28
2013-14	48.32	47.97	467.93	61.34	159.81	51.35	170.34	306.17	345.17	539.14	22.96	62.71	2283.21	20.86
Total	**301.92**	**278.4**	**1705.46**	**331.63**	**765.76**	**321.19**	**962.18**	**1233.59**	**1847.81**	**2610.33**	**161.97**	**421.13**	**10941.37**	**100**

Source: www.rbi.org.in

Table 4 shows that in year 1994-2004, Cotton yarn, fabrics earned the largest export exchanger that is ₹.70.14 billion followed by Leather manufacture ₹.50.57 Billion, Oil meal ₹10.7 Billion. From 1994 -2004 there was continuous fluctuation in the foreign exchange in major commodities. In year 1995-96 there was quantum jump in foreign exchange in rice that is from ₹12.06 billion to 41.68. Between the years 1994-2004 there was an increase of 1.87 per cent. For the total agriculture export there is an improvement in the % share from 6.10 per cent in 1994-95 to 12.22 per cent in 2003-04. As like, total agriculture export there is an improvement in the % share from 5.06 per cent in 2004-05 to 20.86 per cent in 2013-14. In year 2013-14 highest export foreign exchange was earned from cotton yarn fabrics followed by rice, leather manufacturers, marine products, oil meal, spices, tobacco, tea, coffee. Calculating total foreign exchange of major commodities from year 2004-2014 the highest one is cotton yarn and fabrics that is ₹.2610.33 billion followed by Leather Manufactures1847.81, Rice. But after 2006-2014 there was gradual increase in export exchange. Between the years 2004-14 there was increase of 15.8 per cent. Total export of commodities increased 167.27 % in last ten years. The slow rise in agricultural export calls for the change in strategic approach of Indian agriculture in a big way to achieve higher levels of production in commodities in which India has comparative advantage.

Table: 5 show that in the year 1994-1995 Carpet and Tobacco and were the largest contributors followed by cashew nut shell liquid Jute and jute manufactures, carpet. Even the cashew with cashew nut shell liquid 2.40 per cent. In the same year contribution coffee, rice, spices, oil meal, marine product, cotton yarn and fabrics, leather manufactures are less than 2.4 per cent. In the year from 1994-2004 the contribution from carpet Was increase of 1.32 per cent and but suddenly share of tobacco was decline 8.17 per cent. 1994 to 2004 shows that all the commodities except Tobacco, cotton, and marine products, Tea, Oil meal, Jute &jute manufactures higher share of this years.

TABLE 5: COMPOSITION OF INDIA'S AGRICULTURAL EXPORT (1994 TO 2014) (Percentage)

year	Tea	Coffee	Rice	Tobacco	Spices	Cashew with cashew nut shell Liquid	Oil Meal	Cotton, yarn, fabrics, made - up etc.	Marine product	Leather & Manufactures	Jute & Jute manufactures	Carpet
1994-95	1.94	2.47	0.57	10.14	0.67	2.4	1.43	1.75	0.98	0.93	1.94	2.49
1995-96	2.32	3.53	2.16	8.08	0.86	2.38	1.87	2.15	0.94	1.08	2.54	2.67
1996-97	2.06	3.35	1.5	4.51	1.31	2.48	2.79	2.76	1.11	1.05	2.26	2.97
1997-98	3.72	3.99	1.59	3.93	1.53	2.71	2.74	3.02	1.24	1.13	2.84	2.87
1998-99	4.49	4.06	2.96	3.11	1.78	3.14	1.55	2.91	1.21	1.29	2.38	3.24
1999-00	3.54	3.37	1.48	2.93	1.92	4.74	1.31	3.34	1.42	1.27	2.23	3.96
2000-01	3.55	2.78	1.38	2.56	1.76	3.95	1.63	3.94	1.77	1.63	2.83	3.77
2001-02	3.41	2.57	1.5	2.39	1.63	3.45	1.8	3.65	1.64	1.68	2.51	3.45
2002-03	3.28	2.34	2.75	1.89	1.8	3.97	1.19	4.04	1.92	1.65	3.72	3.65
2003-04	3.25	2.55	1.97	2.02	1.68	3.28	2.67	3.89	1.69	1.83	4.56	3.81
2004-05	3.65	2.51	3.2	2.36	2.05	4.79	2.53	3.86	1.79	2	5.08	4.05
2005-06	3.43	3.73	2.94	1.78	2.3	4.99	3.89	4.35	1.95	2.2	5.37	5.35
2006-07	3.91	4.63	3.32	2.5	3.44	4.83	4.39	4.76	2.22	2.51	4.83	5.95
2007-08	4.04	4.4	5.55	1.77	4.7	4.3	6.49	4.67	1.92	2.59	5.4	5.38
2008-09	5.34	5.3	5.27	1.04	6.9	5.64	8.19	4.72	1.96	3.01	5.63	5.05
2009-10	5.84	4.78	5.31	0.59	6.7	5.45	6.24	4.36	2.75	2.93	4.23	4.93
2010-11	6.66	7.07	5.47	1.08	8.75	5.49	8.83	6.57	3.31	3.28	8.57	6.69
2011-12	8.09	10.66	11.38	1.11	14.39	8.57	9.41	8.13	4.6	4.23	9.12	5.77
2012-13	9.36	11.07	15.98	0.88	16.72	7.89	13.17	10.2	5.23	4.89	8.7	7.62
2013-14	9.59	11.27	22	0.61	17.39	9.89	13.58	13.44	8.49	6.35	9.4	8.89

Source: www.rbi.org.in

Result also show that in the year 2004-05 Jute manufactures and Cashew with cashew nut shell Liquid were the largest contributors followed by Cotton yarn, Fabrics made-up, Tea. Even the Jute manufacture, cashew with cashew nut shell liquid was 5.08 and 4.79 per cent. In the same year contribution spices, marine product, leather manufactures are less than 2.5 per cent. In the year from 2004-14 the contribution from carpet was increase of 4.32 per cent and also Cashew with cashew nut shell Liquid was increase of 5.1 per cent but suddenly share of tobacco was decline 2.59 per cent. From 2004 to 2014 shows that all the commodities except Tobacco, Spices, cotton, and marine, Tea, Oil meal, Jute &jute manufactures higher share of this Periods.

CONCLUSION

Export of agricultural products has got a tremendous up thrust in its rise. It has achieved the position of impeccable success in Export of world. Agriculture export had been occupying the place of pride in the export basket of India. Even though, there is an increase in the absolute quantum of agricultural exports, there is consistent increase in the percentage share of primary products in total export from 8.20 per cent to 16.16 per cent during the 1994-04 to 2004-14. For the total agriculture export there is an improvement in the growth value from 8.20 in first period to 16.16 in second periods. Whereas, the share of Agricultural export in total export in present decade was 16.16 per cent, which was almost 7.96 per cent increase than previous decade. This is an indicator of rise in agricultural export in comparison to national exports. Growth of percentage share of each of the commodity groups indicates improvement for all except coffee and oil meal which has negative growth. Indian agriculture sector as well as world agriculture are in the midst of tumultuous changes brought about by a number of internal and external factors.

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ACCESS OF INFORMATION AND ITS IMPACT ON MUTUAL FUND INVESTORS IN TAMILNADU

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ABSTRACT

Mutual fund is the most suitable investment for the common man. Under the system a pool of money is collected from various individuals based on their trust and who are willing to share a common financial interest, like capital and dividend appreciation. The pooled money is then invested in Wealth Maximization Avenues such as shares, debentures and in foreign markets. The profit gained from investments is shared by unit holders in proportion to the number of units owned by them. According to their investment, the investors get the units as per the unit value which is called as Net Assets Value (NAV). The rich experienced fund managers can manage "risk-return-trade-off" where they minimize the risk and maximize the return through diversification of the portfolio. The investigator wants to identify the irrational behavior of mutual fund investors in Tamil Nadu.

KEYWORDS

importance of information, reaction level of investors, negative information vs. irrationality, positive information vs. irrationality.

INTRODUCTION

Mutual fund is the most suitable investment for the common man, and under the system a pool of money is collected from various individuals based on their trust and who are willing to share a common financial interest, like capital and dividend appreciation. The pooled money is then invested in Wealth Maximization Avenues such as shares, debentures and in foreign markets. The profit gained from investments is shared by unit holders in proportion to the number of units owned by them. According to their investment, the investors get the units as per the unit value which is called as Net Assets Value (NAV). The rich experienced fund managers can manage "risk-return-trade-off" where they minimize the risk and maximize the return through diversification of the portfolio. Mutual fund plays an important role to provide an alternative avenue to the investors who want to diversify their investments in a scientific and professional manner. The Indian mutual fund system has grown at a dynamic speed, influencing various sectors of the financial market and the National economy. The Indian economy is under transition on account of the on-going structural adjustment programs and liberalization. The money market mutual fund segment has a total corpus of $1.48 trillion in the U.S against a corpus of $100 million in India.[1] For many investors, mutual funds are the investment vehicle of choice. And, this is increasingly so. From 1991 to 1999 in the U.S., the value of corporate equities held by mutual funds increased ten-fold, from $309 billion in 1991 to $3.4 trillion in 1999. In contrast, direct ownership of common stock increased only three-fold during the same period, from $2.6 trillion to $7.8 trillion. In 1991, 6.4 percent of common stocks were held indirectly through mutual funds; in 1999, that figure had grown to 18 percent.[2] In 1999, nearly half of all U.S. households owned a mutual fund.[3] Given the size and growing importance of mutual fund investors, it is important to gain a better understanding of their behavior. In India mutual funds are governed by the regulations of Securities and Exchange Board of India (SEBI).

OBJECTIVES OF THE STUDY

1. To identify the irrational behavior of mutual fund investors in Tamil Nadu.
2. To what extent the information impacts on investment preference of mutual fund investors.

REVIEW OF LITERATURE

Robert J. Shiller (1993) reported that most of the mutual fund investors don't have the ability of interpretation and data analysis skills. The unreceptive investors elected their investment choices on the basis of information received from scientific avenues.

Phillip (1995) reported that the result of participating in investors' education programme depends upon changes in financial decision-making and investor behavior.

Madhusudhan V Jambodekar (1996) evaluated the alertness of Mutual Fund investors. The study showed that the sources of information were authority more the purchasing judgment and the reasons authorizing the selection of a mutual fund. The research revealed that income and open ended mutual fund schemes were offered by many investors than growth and close ended mutual fund schemes at the time of customary market conditions. The investors' order preference was first safety then liquidity and finally capital appreciation. Newspapers and magazines were their first sources of information.

Shanmugham (2000) conducted a study related to the information source of investors and their insight of different investment approach measurements and the factors that motivated to invest in share and psycho and socio factors which dictated the factors of economic in investment in shares.

Elizabeth Howlett, Michael Pagano Kozup, and John C (2008) tested the impact of available information (internal and external) on the understanding altitude of characteristics of mutual fund. The study shows that investors' first preference before going to investment in mutual fund is gathering information. The information may be in the form of graphical layout and oral information from the investors. Hence the information plays significant role on investors' sensitivity and understanding of investment in mutual funds.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This study is based on investigative and expressive nature. It analyses the investors' investment pattern in mutual funds in behavioral finance perspective aspect. Investors' emotion and psychology influence are measured based on investment decision.

The study is based on primary and secondary data. The primary data is collected through questionnaire schedule and secondary data was collected from various websites, journals, magazines, newspapers etc. The investors were selected and interviewed during January 2015 to December 2015. For this purpose, 249 individual mutual fund investors were selected from four major cities in Tamil Nadu, namely Chennai, Coimbatore, Madurai and Trichy. The procedure of sampling selection is given below.

SAMPLE SELECTION PROCEDURE

The main criterion for selection of mutual fund investors was that the investors should be well informed and they must be trading in the mutual fund markets at least for five to ten years. To evaluate this aspect, the researcher has called out 276 mutual fund investors who had invested in 36 top mutual funds during 2015, from investors' register maintained by the top ten mutual fund corporate agents in the four major cities of Tamil Nadu. The selection of four cities purely was based on the investigator' conviction that there were more informed investors in these cities. The selection of top ten mutual fund corporate agents was on the basis of securing highest trust factors which were noticed in the websites (www.justdial.com). On the other hand, selection of 276 mutual fund investors was done on the basis of not only convenient and judgment sampling technique but also on the basis of consent of the mutual fund investors obtained over phone. Within the stipulated time, the researcher was able to meet only 258 respondent investors. After evaluated and filtered, 249 questionnaires were used for the study. The cities wise mutual fund corporate agents and investors selected are given below:

TABLE 1: SELECTION OF INVESTORS IN FOUR CITIES

Cities	Number of Respondents Selected	Possible number of Respondents	Actually tested
Chennai	66	61	59
Coimbatore	30	29	27
Madurai	78	73	71
Trichy	102	95	92
	276	**258**	**249**

IMPACT OF INFORMATION ON OVERALL MUTUAL FUND INVESTORS' PERFORMANCE

In this session the investigator wants to identify the irrational behavior of mutual fund investors in Tamil Nadu. The investigator has divided the research into two categories namely impact of information on investors' overall reaction to investment decision in mutual fund schemes and analysis of the behavioral finance perspectives of mutual fund investors. The first dimension is sub divided into four factors namely significance of information, information and reaction level of investors, information level and investment preference and impact of positive and negative information on rational behavior of mutual fund investors. The first factor of significance of information contains 15 variables which identify the extent to which the investors give importance to access of information. The variables are: 1) Access and evaluation of the information as major part of investments: this question may bring out the investors' priority to access the information related to mutual fund. 2) Consider all sources of information before choice of the fund: which intimate the predominant kind of sources of information towards selection of funds. 3) Every day watch of the contents in the information: the investors' understanding level and classification of information is more important to investors' investment decision making. 4) No direct link between market movement and information received: the understanding capacity of kind of information affecting the market is more important. Because, market movements are affect the NAVs of funds. 5) Information is mere alarming signal of the investors: many of the mutual fund investors consider that information merely alerts the investors and never create any fruitful action in the market. 6) No association between information nature and reaction level: many of the mutual fund investors don't have faith in information and hence it has no any impact on investors' reactions. 7) Immaterial of nature of information, all are simulative nature: all information is very much important for market or some information only is taken into consideration 8) Exaggeration in information is uncontrollable: the investors' different ability to understand information indicates their informed level about handling information. 9) All positive information does not lead the markets to positive comport: the understanding of impact of positive information on investment behavioral aspect of investors is more meaning full. 10) All negative information leads the markets to negative comport: some investors have faith in nature of information that only causes change in market behavior. 11) There is a relation between nature of information and irrationality of investors: ultimately to what extent the information influences efficiency of investors' rationality is important. 12) The impact of prevailing information on market trend is temporary: the reaction level of the investors according to understanding level of market movement is important one. 13) Information educates the investors: the significance of informed level of the investors experience in the market is important. 14) Selection, quit and diversification of fund is based on investors' risk tolerance capacity: here the significance of information is nullified. 15) Information is also a cause for emotional decision of investors: identify the sentiment of the investors.

The factor related to acceptance of information and reaction level of mutual fund investors. This factor comprises 14 variables and these variables are: 1) Actual information not fulfilling the expected information: this may be identified as the comparative ability of investors regarding actual information with expected information. 2) Information related to general market conditions: market related information attracting the investors more. 3) Previous information: to what extent the investors have taken into consideration the previous information and react accordingly. 4) Information related to political issue: sometimes political issue also creates impact on investors' investment decisions. 5) RBI announcement regarding interest level changes: the impact of RBI's periodical monetary policy related information on investors' reaction level is understandable one. 6) Inflation related information: it has tested the investors' logic investment decisions. 7) Funds related information: what kind of mutual fund information creates more reaction among the mutual fund investors is important one. 8) Sector based fund information: many investors consider only the information which is related to their fund sectors' aspects or all. 9) Information related to returns: its general opinion that all the investors give importance to returns related information only. 10) Return affected information: whether many investors consider the risk returns associated information? 11) Government policy matters: the announcement of government policy is also considerable one. 12) Financial statements and auditors' report of company: whether the mutual fund investors consider the financial statements report and Auditors' report on their investment company concerned? 13) Experts' information (Medias, newspapers and magazines): the impact of Medias and news papers information on emotional investment decision of the investors' is also considerable one. 14) Companies' periodical announcements: different kinds of companies' information make changes in investors' mind?

To what extent the information impacts on investment preference of mutual fund investors. 1) Positive NAVs trends but negative information: It is more important to find out the changes in investors' behavior even when NAVs are in positive trends but information is negative. 2) Negative NAVs trends but positive information: this is more important to identify the changes in investors' behavior when NAVs are negative but information is positive. 3) No changes in NAVs past six months: the investors' behavioral changes are notable when there are no changes in NAVs. 4) Fund related information not clear in market: the investors' investment preference changes could be changed according to clarity of information in the market. 5) Adverse report from fund managers: many mutual fund investors are following fund managers' words. 6) Bitter experience with past information: the past bitter experience also influences the investors' investment preference. 7) Present information very much favorable: whether investors' investment preference is based only on present favorable information? 8) Information towards future better performance: where investors wait for future favorable information in near future. 9) Market condition not suitable for particular sector's fund (real news): according to real news, investors having the habit of diversification? 10) Unexpectedly more investors are getting out from fund (no proper reason): weather investors are following others' activities (negative) (11) suddenly many investors are getting in to the fund (no proper reason): whether investors are following others' activities (positive). 12 Fund, gradually losing its market reputation (only ears' news): indentifies investors' negative reactions. 13) Fund, gradually improving its reputation (only ears' news): indentifies investors' positive reactions. 14) Zigzag performance with no uniformed information: indentifies investors' general reactions. The evaluation of decision making duration of mutual fund investors on the basis of information relating to mutual fund is determining the rationality of the investors. The negative and positive fund information relates to unit value, quit, list in stock exchange, NAVs performance and survivals.

The researcher classified the behavioral parameters into 2 dimensions. The first one is focusing on importance of information and its impact on mutual fund investors' overall investment performance and the second one focusing on behavioral finance perspectives of mutual fund investors. For this purpose, the researcher makes reliability test on these parameters.

The researcher obtained impact of information and behavioral finance aspects towards mutual fund investors in likert 5 point scale which ranges from strongly agree, over react, expand and highly rational to highly disagree, no reaction, quit and irrational. In order to check the investors' investment behavior, the researcher applied chronbag alpha method and the following results were obtained.

TABLE 1.1: TEST OF RELIABILITY

Factors	Chronbag alpha value	Significant value
Importance of Information	0.931	0.00
Reaction level of Investors on Investment	0.822	0.00
Investment preference level on Information	0.880	0.00
Negative information Vs Irrationality of Investors	0.800	0.00
Positive information Vs Irrationality of Investors	0.833	0.00
Overconfidence and optimism behavior	0.762	0.00
Representativeness	0.841	0.00
Conservatism	0.864	0.00
Availability bias	0.763	0.00
Frame dependence and anchoring	0.863	0.00
Mental accounting	0.801	0.00
Regret aversion	0.790	0.00
Glad liking	0.861	0.00

All these chronbag alpha values are greater than 0.75. Therefore, the statement in the research instrument is highly reliable and can be considered further in the analysis

IMPACT OF INFORMATION ON OVERALL MUTUAL FUND INVESTORS' PERFORMANCE

To measure the impact of information on investors' overall to mutual fund investment are tested through the following hypothesis with t test statistical tools. In addition, the researcher ranked the variables in the factor. The t test with the test value 3 is applied to measure the exact perception of the mutual fund investors. In this method the researcher compares the overall perception of the respondents, the mean comparison is done through the t test and the results are obtained as below.

IMPORTANCE OF INFORMATION

In the next stage the researcher wants to test the significance of information. For this purpose, the researcher formulated hypothesis and tested them which are given below.

$H_0$1: No investors give importance to information

TABLE 1.2: IMPORTANCE OF INFORMATION

Variables of Importance of Information	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Rank
Access and evaluation of the information is major part of investments.	4.60	0.59	0.093	17.13	0.00	**4**
Consider all sources of information before choosing the fund.	4.15	0.36	0.057	20.11	0.00	**1**
Every day the contents in the information are watched.	4.10	0.77	0.123	8.94	0.00	**9**
No direct link between market movement and information received.	1.65	0.48	0.076	-17.66	0.00	**14**
Information is a mere alarm to the investors.	4.45	0.59	0.094	15.36	0.00	**5**
No association between information nature and reaction level.	1.45	0.50	0.079	-19.45	0.00	**15**
Immaterial of nature of information, all are simulative in nature.	4.15	0.92	0.145	7.89	0.00	**10**
Exaggeration in information is uncontrollable.	4.50	0.50	0.080	18.73	0.00	**2**
All are not positive information leads the markets in positive compartment.	3.90	0.77	0.123	7.31	0.00	**11**
All negative information leads the markets to negative compartment.	3.15	1.54	0.244	0.614	0.54	**13**
There is a relation between nature of information and irrationality of investors.	3.90	1.15	0.187	4.94	0.00	**12**
The impact of prevailing information on market trend is temporary.	4.30	0.56	0.089	14.58	0.00	**7**
Information educates the investors	4.35	0.57	0.091	14.73	0.00	**6**
Selection, quit and diversification of fund is based on investors' risk tolerance capacity.	4.45	0.50	0.079	18.20	0.00	**3**
Information is also causes for emotional decision of investors.	4.40	0.74	0.117	11.89	0.00	**8**

All the significant values except one variable that is all the negative information leads the markets in negative comportment are statistically significant at 5% level. It indicates that the hypothesis $H_0$1 is rejected at 5% level and concluded that all the investors are able to classify significant and insignificant information related to their mutual fund selection and finally the investigator concluded that investors considered the information. And among the 15 importance of information related variables, considered all source of information before choice of funds is ranked first followed by exaggeration in information is uncontrollable and selection, quit and diversification of fund is based on investors' risk tolerance capacity. The least ranked variable is no association between information and reaction level of mutual fund investors.

MUTUAL FUND INVESTORS' REACTION LEVEL ON INVESTMENT

In the next stage the researcher wants to associate the impact of information nature and reaction level of mutual fund investors. For this purpose, the researcher formulated hypothesis and tested them which are given below.

$H_0$2: No association between information and reaction level of investors

TABLE: 1.3 REACTION LEVELS OF INVESTORS

Variables related to reaction level on Information	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Rank
Actual information does not fulfill the expected information.	4.80	0.40	0.060	28.10	0.00	**1**
Information related to general market conditions.	4.05	0.38	0.061	17.07	0.00	**5**
Previous information.	4.25	0.77	0.122	10.18	0.00	**10**
Information related to political issue.	3.55	1.25	0.192	2.85	0.007	**12**
RBI announcement regarding interest level changes.	4.45	0.50	0.079	18.20	0.00	**3**
Inflation related information.	4.35	0.48	0.076	17.67	0.00	**4**
Funds related information.	4.35	0.48	0.076	17.67	0.00	**4**
Sector based fund information.	4.30	0.64	0.102	12.67	0.00	**8**
Information related to returns.	4.45	0.59	0.094	15.36	0.00	**7**
Return affected information.	4.35	0.73	0.116	11.60	0.00	**9**
Government policy matters.	2.50	0.87	0.138	-3.60	0.001	**13**
Financial statements and auditors' report of company.	4.15	1.21	0.191	6.01	0.00	**11**
Experts' information (medias, newspapers and magazines).	4.50	0.50	0.080	18.73	0.00	**2**
Companies' periodical announcements.	4.50	0.59	0.094	15.83	0.00	**6**

All the significant values are statistically significant at 5% level. It indicates the hypothesis H_02 is rejected at 5% level and concluded that there is an association between information and reaction level of the investors. Finally, the investigator concluded that investors reacted according to the information. Among the 14 investors' reaction related variables, actual information which does not fulfill the expected information is ranked first followed by experts' information (Medias, newspapers and magazines) and RBI announcement regarding interest level of changes which are ranked as second and third respectively. The least ranked variable is the policy matters of Government.

MUTUAL FUND INVESTORS' INVESTMENT PREFERENCE LEVEL ON INFORMATION

In the third stage the investigator identifies information nature and investment preference level of the mutual fund investors. For this purpose, the researcher formulated and tested hypothesis which is given below.

H_03: No association between information and level of investment preference

TABLE 1.4: INVESTMENT PREFERENCE OF INVESTORS

Variables related to investment preference	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Rank
Positive NAVs trends but negative information	4.70	0.64	0.102	16.58	0.00	**1**
Negative NAVs trends but positive information	4.15	0.66	0.104	10.98	0.00	**8**
No changes in NAVs for the past six months	3.90	0.95	0.151	5.95	0.00	**12**
Fund related information not clear in the market	3.65	0.97	0.154	4.21	0.00	**13**
Adverse report from fund managers	4.35	0.66	0.104	12.89	0.00	**5**
Bitter experience with past information	4.20	0.60	0.096	12.49	0.00	**6**
Present information very much favorable	4.35	0.73	0.116	11.60	0.00	**7**
Information towards future better performance	4.40	0.67	0.106	13.18	0.00	**4**
Market condition not suitable for particular sector's fund (real news)	4.30	0.56	0.089	14.58	0.00	**3**
unexpectedly more investors get out from fund (no proper reason)	4.05	0.67	0.107	9.80	0.00	**11**
Suddenly many investors get in to the fund (no proper reason)	4.20	0.75	0.119	10.01	0.00	**10**
Fund, gradually goes down in its market reputation (only ears' news)	4.45	0.59	0.094	15.36	0.00	**2**
Fund, gradually improved its performance (only ears' news)	4.35	0.73	0.116	11.60	0.00	**7**
Zigzag performance with no uniformed information	4.30	0.79	0.125	10.39	0.00	**9**

All the significant values are statistically significant at 5% level. It indicates that the hypothesis H_03 is rejected at 5% level and concluded that there is an association between information and level of investment preference. Finally, the researcher concluded that investors' preferred their investment based on the information. Among the 14 investment preference related variables, positive NAVs trends but negative information is ranked first followed by fund, gradually going down its market reputation (only ears' news) and thirdly, the market condition which is not suitable for particular sector's fund (real news). The least ranked variable is fund related information not clearly given in the market. Hence, finally the investigator concluded that according to information nature investors expand their preference in mutual fund.

MUTUAL FUND INVESTORS' IRRATIONALITY ON UNFAVORABLE INFORMATION

After this analysis the researcher wants to test the irrationality of mutual fund investors. The irrational behavior of investors is measured in terms of their emotional reaction level on information and reaction levels in investment decision making. Generally, very quick investment deciders, immaterial of nature of information are considered as irrational investors. For this purpose, the researcher applied the simple percentage analysis for both unfavorable and favorable nature of information to reveal quick reactors, delayed reactors. According to the investors reaction level the investors classified into rational and irrational investors. The individual percentages for all these 2 categories are added to gather to find the average. These averages represent the rationality of the investors. For this purpose, the researcher formulated and tested hypothesis which is given below.

No impact of unfavorable information on irrationality of investors

TABLE: 1.5 UNFAVORABLE INFORMATION VS. IRRATIONALITY

Unfavorable Information	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Rank
Unit value reduced	4.30	0.72	0.11	11.36	0.00	**3**
Maximum quit	4.05	0.50	0.07	13.18	0.00	**2**
Unlisted	3.55	0.67	0.10	5.13	0.00	**4**
Low NAVs performance	3.80	1.13	0.17	4.45	0.00	**5**
Difficult future survivals	4.25	0.43	0.06	18.02	0.00	**1**

All the significant values are statistically significant at 5% level. It indicates that the hypothesis H_04 is rejected at 5% level and concluded that there is an impact of unfavorable information on irrationality of investors. Finally, the researcher concluded that the unfavorable information has impact on the irrationality of investors. Among the 5 unfavorable information related variables, difficult in future survivals is ranked first followed by maximum quit and unit value getting reduced is ranked as second and third variable. The least ranked variable is low NAVs performance. Hence the researcher concluded that there is an impact of unfavorable information on rationality of the investors' investment behavior.

MUTUAL FUND INVESTORS' IRRATIONALITY ON FAVORABLE INFORMATION

The variables of favorable nature of information also revealed the irrational investors, somewhat rational investors and rational investors like unfavorable information variables by applying the percentage analysis. For this purpose, the researcher formulated and tested hypothesis given below.

H_05: No impact of favorable information on irrationality of investors

TABLE 1.6: FAVORABLE INFORMATION VS. IRRATIONALITY

Favorable Information	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)	Rank
Unit value increased	3.55	0.677	0.107	5.13	0.00	**3**
Maximum keep hold	2.60	0.871	0.137	-2.90	0.00	**5**
Listed for longtime	4.25	0.776	0.122	10.18	0.00	**1**
High NAVs performance	3.00	0.847	0.133	0.00	1.00	**4**
Easy future survivals	3.90	0.632	0.100	9.00	0.00	**2**

All the significant values except High NAVs performance are statistically significant at 5% level. It indicates that the hypothesis H_05 is rejected at 5% level and concluded that there is an impact of favorable information on rationality of mutual fund investors. Finally, the investigator concluded that the favorable information has impact on the rationality of investors. Among the favorable 5 information related variables, listed for longtime is ranked as first followed by easy for future survivals and unit value getting increased is ranked as second and third variable. The maximum keep hold is ranked as least variable. Hence the investigator concluded that there is an impact of favorable information on irrationality of the investor's investment behavior.

FINDINGS AND SUGGESTIONS

Importance of Information: investors are able to classify significant and insignificant information related to their mutual fund selection and found that investors considered the information before they invest in mutual funds. And among the 15 important information related variables, all source of information before choice of funds is ranked as first and least ranked variable is no association between information and reaction level of mutual fund investors.

Reaction level of Investors: investors reacted according to the information. Among the 14 investors' reaction related variables, actual information which does not fulfill the expected information is ranked first and least ranked variable is the policy matters of Government.

Investment Preference of Investors: investors preferred their investment based on the information. Among the 14 investment preference related variables, positive NAVs trends but negative information is ranked first and least ranked variable is fund related information not clearly given in the market.

Negative information Vs. Irrationality: the negative information has impact on the irrationality of investors. Among the negative information related five variables, difficult in future survivals is ranked first and the least ranked variable is low NAVs performance.

Positive information Vs. Irrationality: the positive information has impact on the rationality of investors. Among the 5 positive information related variables, listed for longtime is ranked as first the maximum keep hold is ranked as least variable.

SUGGESTIONS

1. Every investor should understand the cause and effect relationship in the market. Hence the investors must try to be well informed.
2. Investors should develop their 'staying power' and avoid irrational behaviour for short term benefits.
3. Investors should understand that 'panic reduction' is possible only through proper understanding of the market and should not have over reaction when getting the new information entering.
4. The over precaution mentality is also a cause for different interpretation according to their assumption. So, the individual's interpretations of the market situation need not be taken seriously and understanding the historical information need not always be genuine.

CONCLUSION

Investment is a commitment of funds made in the expectations of some positive return. If the investment is properly undertaken the return will be commensurate with the risk the investor assumes. Investment goals vary from person to person, business to business. It may be concluded that investor would satisfy financial utility rather than maximize it, sometime accepting a satisfactory investment alternative rather than the optimum choice (that is maximizing gains and minimize the losses). Investors in general have appetite to invest in that instrument which may generate maximum return with minimum risk. To promote profitable investment in Mutual Fund, confidence of the investor is to be protected and boosted as most of the investor problems arise due to absence of coordinated information to the investors by the funds promoters.

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A STUDY ON COOPERATIVE CREDIT IN PUNJAB

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ABSTRACT

Cooperatives are playing an important role in socio-economic development of Punjab. These are very essential to develop and sustain the rural economy of the State which is agrarian in nature. These institutions have been serving the people of Punjab in areas such as agriculture, housing, spinning, sugar production, weaving and dairy etc. Cooperatives are a major source of institutional credit for agriculture as well. They are serving Punjab as a substitute to local money lenders along with regional rural banks and commercial banks. The present study is an attempt to analyze the growth of cooperative credit in the State of Punjab, India, for a period of 2002-03 to 2013-14. For the study purpose secondary data has been collected from relevant data sources. Compound annual growth rates have been worked out to analyse the data. The study shows that performance of these institutions is not satisfactory. Loan disbursement capacity of these institutions is limited, overdue problem is persistent, profits are declining, membership is falling and most important point to note is that demand for credit is shrinking in case of Primary Agricultural Cooperative Societies. It indicates the credit cooperatives in Punjab to be rejuvenated.

KEYWORDS
cooperative credit institutions, loans issued, loans outstanding, overdues, PACS.

INTRODUCTION
Cooperatives play crucial role in socio-economic development of a State. These institutions are significant especially for the overall development of a rural agrarian economy. Cooperative principles ensure harmonious development, through democratic management and governance. Cooperatives are serving the State of Punjab in line with these principles. These have brought both the services and resources at the door steps of villagers in Punjab. These have been enthusiastically serving the people of Punjab in area such as agriculture, housing, spinning, sugar production, weaving and dairy etc. The performance of Cooperative Movement in Punjab is very impressive (NCUI, 2009).

Though cooperatives are performing in diverse fields, their role as a source of institutional credit is equally noteworthy. Earlier, farmers in Punjab were highly dependent upon money-lenders for their credit requirements. But gradually cooperative banks along with regional rural banks and commercial banks came forward to finance the farmers (Bansal, 2012). These days, cooperative credit institutions occupy a vital place in the economy of Punjab and have been disbursing credit to farmers, rural artisans and agricultural labourers**.**

REVIEW OF LITERATURE
Gill (2004) conducted a study to analyze the various aspects of informal credit market in two districts of Punjab i.e. Amritsar and Patiala. The analysis revealed that the commission agents were dominant money lenders who interlinked the credit market with output market. Exorbitant rates of interest were charged due to inadequate supply of institutional credit. The cumbersome procedures to obtain formal credit make it less popular among the needy. This results in continuous exploitation and distress of the needy and sometimes suicides were the outcome of all this. In the end, the study concluded that reforms such as adequate supply of institutional credit, regulated agricultural markets, policy check on local money lenders etc. are needed to overcome such situations.

Satyasai and Viswanathan (1998) made an analysis of restructuring of credit cooperatives through integration of short-term and long-term credit from the experience of the state of Andhra Pradesh. The observation was that the ratio between short-term and long-term loans increased after the integration of both types of credit. The ratio which averaged at 1.3 per cent during the pre-integration period was found 1.77 per cent during the post-integration period.

Singh (2000) attempted to assess the performance of credit cooperatives in India. He found that despite the continued support of the state governments for their healthy growth, the credit cooperatives failed to cater the credit and other related needs of the masses. He opined that cooperatives need organizational and management reforms for their survival and prosperity. He suggested that the credit cooperatives must be free to carry on their operations purely on commercial lines and matters such as fixation of interest rates, determination of unit costs and scales of finance, modus operandi of recoveries, hiring and firing employees and so on should be completely left to them.

Verma (1992) made an attempt to assess the effectiveness of agricultural credit by cooperative credit institutions in Nagari block of Chittor district in Andhra Pradesh. It was found that there was a large amount of over dues of loans and the major defaulters were medium level farmers. Lack of proper supervision of end use of loans, inadequate amount of credit sanctioned, willful defaulting and the natural calamities like drought were some of the reason of over dues. It was suggested that small and marginal farmers should be involved, the procedure of sanctioning loans should be simplified, and proper supervision on the end use of credit should be made.

IMPORTANCE OF THE STUDY
Both institutional and non-institutional sources of credit are performing their particular role in credit disbursement in Punjab. The present study is an endeavour to study the role of credit cooperatives as an institutional source of credit.

OBJECTIVES OF THE STUDY
The study is based on the following objectives:
1. To know the cooperative credit structure in Punjab; and
2. To evaluate their growth and performance in Punjab for a period of 2002-03 to 2013-14.

RESEARCH METHODOLOGY

To analyse the growth and performance of cooperative credit institutions in Punjab, secondary data for a period of 2002-03 to 2013-14 have been collected from the website of National Federation of State Cooperative Banks (NAFSCOB), Mumbai. Following publications of NAFSCOB have been used to collect the data:

1. Basic Data on Performance of the State Cooperative Banks
2. Basic Data on Performance of District Central Cooperative Banks
3. Basic Data on Performance of Primary Agricultural Credit Societies

TOOLS OF ANALYSIS

The compound annual growth rate of different performance indicators of credit cooperatives has been worked out to analyse the data. For data analysis purpose, percentages are also computed wherever required. The formula used for calculation of compound annual growth rate has been given below:

$CAGR\ (t_0, t_n) = (V\ (t_n) / V\ (t_0))^{1/ t_n - t_0} - 1$

Where

CAGR = Compound Annual Growth Rate

$V\ (t_0)$ = Start Value

$V\ (t_n)$ = End Value

$t_n - t_0$ = Number of Years

COOPERATIVE CREDIT STRUCTURE IN PUNJAB

The agricultural cooperative credit structure in the Punjab State is broadly divided into two categories — short-term and medium-term credit; and the long-term credit. In the State, the short-term and medium-term credit structure is a three-tier system, i.e.

1. State Cooperative Bank (SCB) organised at the state level advances loans to District Central Cooperative Banks to enhance their capacity to provide loans to village level societies. The State Cooperative Bank is the highest agency for the supply of cooperative credit for short-term and medium-term.

2. District Central Cooperative Banks (DCCBs) organized at district level provide loan to Primary Agricultural Credit Societies (PACS) to fulfill credit requirements of the famers at time of need. They act as an intermediary agency between Primary Agricultural Credit Societies (PACS) and the State Cooperative Bank.

3. Primary Agricultural Credit Societies (PACS) at rural level to meet the short term and medium term credit needs of the farmers. These societies are the core unit of the cooperative credit organization at the operational level as they come in direct contact with the farmers (Lata, 2000).

Long-term credit is also necessary for different purposes. It consists of –

1. State Cooperative Agricultural and Rural Development Bank (SCARDB) at the state level
2. Primary Cooperative Agricultural and Rural Development Bank (PCARDB) at the district level

RESULTS AND DISCUSSION ON SECONDARY DATA

Growth and performance of credit cooperatives in Punjab can be analysed from different performance indicators such as their number, membership, paid -up share capital, total reserves, working capital, borrowings, loans issued, loans recovered, loans outstanding etc.

GROWTH AND PERFORMANCE OF STATE COOPERATIVE BANK IN PUNJAB

In Punjab, the Punjab State Cooperative Bank (SCB) was established on August 31, 1949 as an apex institution. The bank provides credit to the District Central Cooperative Banks (DCCBs) in the state, and these in turn provide credit to Primary Agricultural Credit Societies (PACS), from where credit is disbursed to the farmers. The provision of short-term credit is in cash as well as in-kind (in form of seeds, fertilizers etc.) while the medium-term credit is available only in cash form (Lata, 2000).

The growth and performance of the State Cooperative Bank can be viewed from Table 1. The table shows performance indicators of State Cooperative Bank for a period of 2002-03 to 2013-14. The membership of the State Cooperative Bank has increased from 52 in 2002-03 to 54 in 2013-14, registering an increase of 0.31 per cent over the period. Share capital has increased from ₹2992 lakhs in 2002-03 to ₹14759 lakhs in 2013-14 showing compound annual growth rate (CAGR) of 14.22 per cent. It has shown a continuous increase over this period. Reserve funds have stood at ₹ 41398 lakhs in 2013-14 as compared to ₹18832 lakhs in 2002-03. Their growth rate is 6.78 per cent per annum. Their growth is also continuous except in the year 2006-07. During 2006-07, reserves of the SCB declined to ₹ 30509 lakhs from ₹ 31456 lakhs in 2005-06.

TABLE 1: PERFORMANCE OF STATE COOPERATIVE BANK IN PUNJAB FROM 2002-03 TO 2013-14

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR (%)
No. of offices including the Head Office	22	22	22	24	24	24	24	24	22	21	21	20	-0.79
Total Membership out of which	52	52	52	52	52	52	52	53	53	53	53	54	0.31
1.Cooperative Societies	51	51	51	51	51	51	51	52	52	52	52	53	0.32
2.Government and Individuals	1	1	1	1	1	1	1	1	1	1	1	1	0.00
Paid-Up Share capital (₹ Lakhs)	2992	3125	3413	3826	4133	4359	4987	5526	6033	6768	11156	14759	14.22
Total Reserve Funds (₹ Lakhs)	18832	19207	29371	31456	30509	32349	33414	34204	35688	37260	39023	41398	6.78
Working Capital (₹ Lakhs)	266371	279390	297931	330671	406934	490409	367067	530795	703511	798882	798882	972493	11.40
Deposits (₹ Lakhs)	103138	113715	118440	125920	142574	193519	193519	230820	240811	259339	281301	297257	9.22
Borrowings (₹ Lakhs)	81179	125125	134283	134283	210054	422978	390358	334417	405616	482272	553968	605400	18.23
Loans Issued (₹Lakhs)	312223	328823	338331	408342	482713	561728	794342	666488	792777	1021101	730629	1127863	11.30
Loan Recovere (₹ Lakhs)	112336	151462	153756	195332	145384	260496	302949	330564	348479	416121	497681	571665	14.52
Loans Outstanding (₹ Lakhs)	217571	226354	238732	268148	338784	412303	472936	432436	461514	629567	710107	783073	11.26
Over dues (₹ Lakhs)	5815	6093	5796	5796	5786	5449	5342	5392	5413	5389	5502	5455	-0.53
Demand for Credit (₹ Lakhs)	118151	157555	159552	201213	151170	265837	308290	335956	353892	421510	503183	577120	14.13
Percentage of Over dues To Demand	4.92	3.87	3.63	2.92	2.58	1.73	1.73	1.6	1.53	1.28	1.09	0.95	-12.81
Branches working at Profit	11	13	12	11	8	13	9	9	15	14	10	13	1.40
Branches working at Loss	11	9	10	11	14	9	10	10	5	5	9	6	-4.93
Profit	2101	3135	6094	2624	2379	1174	1174	523	2576	2718	548	546	-10.62

Source: Basic Data on Performance of the State Cooperative Banks published by NAFSCOB – Mumbai (2002-03 to 2013-14)

Working capital has increased from ₹266371 lakhs to ₹972493lakhs for the same period with a CAGR of 11.40 per cent. Total deposits of the State Cooperative Bank have increased from ₹103138 lakhs in 2002-03 to ₹297257 lakhs in 2013-14 showing compound annual increase of 9.22 per cent. Borrowings of the bank are ₹605400 lakhs in 2013-14 while in 2002-03, the borrowings were ₹81179 lakhs. Borrowings have shown an increase of 18.23 per cent.

Loans issued have marked an increase of 11.30 per cent from ₹312223 lakhs in 2002-03 to ₹1127863 lakhs in 2013-14. Recovery performance of the bank is equally appreciable as recovery of loans has witnessed an increase of 14.52 per cent for the period 2002-03 to 2013-14. ₹571665 lakh loans are recovered in 2013-14 as against loan recovery of ₹112336 lakhs during 2002-03. Loans outstanding have also recorded a high growth rate though less than the growth rate of recovery of loans. Amount of over dues has declined from ₹ 5815 lakhs in 2002-03 to ₹ 5455 lakhs in 2013-14, a decline by 0.53 per cent. Percentage of over dues to demand has registered a decline of 12.81 per cent from 2002-03 to 2013-14. During 2002-03, 11 branches of the Punjab State Cooperative Bank were earning profits and 11 of them were at loss. While in 2013-14, from the branches that reported to the NAFSCOB, 13 are in profit and 9 are at loss. Profits have shown a fluctuating trend. The table 1 discloses that profits have increased from ₹2101 lakh in 2002-03 to ₹6094 lakhs in 2004-05 but after that continuously declined till 2009-10. In 2009-10 profits were ₹523 lakhs. After an increase for two years, they have declined to ₹546 lakhs in 2013-14. The downfall in profits is 10.62 per cent for the period under study.

GROWTH AND PERFORMANCE OF DISTRICT CENTRAL COOPERATIVE BANKS IN PUNJAB

District Central Cooperative Banks (DCCBs) are intermediary agency between Primary Agricultural Credit Societies (PACS) and the State Cooperative Bank (SCB). There are 20 District Central Cooperative Banks operating in Punjab and performing their functions to the best of the satisfaction of the people.

Table 2 reflects the overall growth and performance of District Central Cooperative Banks (DCCBs) in Punjab during 2002-03 to 2013-14. The table depicts the progress of DCCBs on various performance indicators with their compound annual growth rate.

TABLE 2: PERFORMANCE OF DISTRICT CENTRAL COOPERATIVE BANKS IN PUNJAB FROM 2002-03 TO 2013-14

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR (%)
No. of Banks	19	19	19	19	19	19	19	19	19	19	20	20	0.43
Branches	818	815	805	805	797	769	770	769	769	770	812	812	-0.06
Membership (Number)	141810	152512	175850	201661	206101	235016	246920	295305	299253	286426	322770	335585	7.44
Total Share Capital (₹ Lakhs))	8599	8670	8816	9091	9542	9576	10405	11376	12658	13872	16574	17504	6.10
Total Reserve Funds (₹ Lakhs)	34218	41999	49700	60618	65546	73452	78133	83233	87424	96849	107592	123044	11.25
Working Capital (₹ Lakhs)	586198	638140	667709	725582	822538	937916	1088007	1111339	1312107	1381043	1672875	1758904	9.59
Deposits (₹ Lakhs)	368643	389102	409864	449101	486291	545470	626114	685928	752621	810072	930149	980127	8.49
Borrowings (₹ Lakhs)	150553	169672	168771	178399	234884	275042	335771	348095	447053	430733	579754	604864	12.29
Loans Issued (₹ Lakhs)	528000	566327	567777	611442	664997	803860	852517	939357	1040700	1139477	1457700	1544440	9.36
Loans Recovered (₹ Lakhs)	290670	290670	364023	421134	453013	517087	562419	686839	782111	830155	1092672	1149222	12.14
Loans Outstanding (₹ Lakhs)	407370	428799	438457	463828	537658	615967	649556	689536	749724	818229	1016113	1072214	8.40
Over dues (₹ Lakhs)	43102	45022	49653	50800	59362	64272	75962	78244	79563	82908	93238	97365	7.03
Demand for Credit (₹ Lakhs)	333772	333772	413676	471934	512375	581359	638381	765083	861674	913063	1185910	1246587	11.61
Percentage of Over dues to Demand	12.91	11.72	12.00	10.76	11.59	11.06	11.90	10.23	9.23	9.08	7.86	7.81	-4.10
Branches working at Profit	790	786	781	776	757	693	680	682	710	638	697	655	-1.55
Profit (₹ Lakhs)	6129	10001	9779	7667	4294	4714	3552	2837	3003	2511	3683	3592	-4.36
Branches working at Loss	49	23	18	22	41	67	76	72	43	118	99	139	9.08

Source: Basic Data on Performance of District Central Cooperative Banks published by NAFSCOB – Mumbai (2002-03 to 2013-14)

The number of District Central Cooperative Banks working in Punjab was 20 as on March 31, 2014. Their branch expansion has shown a negative trend. There is a marginal decline in branch expansion of these banks i.e. 0.06 per cent for a period from 2002-03 to 2013-14. Their membership has increased from ₹141810 lakhs in 2002-03 to ₹335585 lakhs in 2013-14. It has listed an increase of 7.44 per cent. Total share capital of DCCBs was ₹8599 lakhs in 2002-03 that has increased to ₹17504 lakhs in 2013-14. The CAGR of share capital is 6.10 per cent. Total reserves have shown an improvement from ₹34218 lakhs in 2002-03 to ₹123044 lakhs in 2013-14 revealing an increase by 11.25 per cent. Working capital has shown an increase of 9.59 per cent. The deposits of DCCBs have increased from ₹368643 lakhs in 2002-03 to ₹980127 lakhs in 2013-14 with compound annual growth rate of 8.49 per cent. Borrowings of DCCBs are ₹604864 lakhs in 2013-14, while in 2002-03, the borrowings were ₹150553 lakhs. Borrowings have shown an increase of 12.14 per cent for the period of study.

Loans issued have marked an increase of 9.36 per cent from ₹528000 lakhs in 2002-03 to ₹1544440 lakhs in 2013-14. Recovery performance of the banks is impressive as recovery of loans has shown an increase of 12.14 per cent for the period 2002-03 to 2013-14. ₹1149222 lakh loans have been recovered in 2013-14 as against loan recovery of ₹290670 lakhs during 2002-03. Loans outstanding have also registered a positive growth rate though less than the growth rate of loans recovery. Their CAGR has stood at 8.40 per cent. Amount of over dues has revealed a significant increase from ₹43102 lakhs in 2002-03 to ₹97365 lakhs in 2013-14, an increase by 7.03 per cent. Percentage of over dues to demand has registered a decline of 4.10 per cent from 2002-03 to 2013-14. Increase in demand for credit of DCCBs is 11.61 per cent during 2002-03 to 2013-14. The branches working at profit have declined from 790 to 655 during the study period. The number of branches working at loss has increased from 49 to 139 showing an increase of 9.08 per cent from 2002-03 to 2013-14. Profit of DCCBs has declined from ₹6129 lakhs in 2002-03 to ₹3592 lakhs during 2013-14 showing a decrease of 4.36 per cent.

GROWTH AND PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN PUNJAB

Primary Agricultural Credit Society (PACS) is the foundation stone on which the whole cooperative edifice is built. These societies were intended to promote the economic interests of its members especially, the poor in accordance with cooperative principles (Successful Cooperative Systems in Gujarat, Maharashtra, Punjab). These are to achieve their aim by promoting savings among members, providing loans, supplying agricultural implements and certain essential domestic requirements and arranging for the marketing of their agricultural products (Kaur, 2015).

As on March 31, 2014, there were 1609 PACS in Punjab out of which 1308 were viable, 119 were potentially viable and 182 were dormant and defunct. Growth and performance of PACS is observable in Table 3. The number of PACS which was 4002 in 2002-03, has decreased to 1609 in 2013-14 registering a decrease of 7.31 per cent. Their membership has also declined from 2072 to 719 from 2002-03 to 2013-14. The decline in total membership is 8.44 per cent. Decline in the membership of rural artisans is considerable as compared to others. Their membership declined by 30.99 per cent.

TABLE 3: PERFORMANCE OF PRIMARY AGRICULTURAL CREDIT SOCIETIES IN PUNJAB FROM 2002-03 TO 2013-14

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	CAGR (%)
Total No. of Societies of Which	4002	3996	4199	3978	3981	3979	3990	3990	3990	1609	1609	1609	-7.31
1. Viable PACS	3198	3198	3,207	3228	3229	3204	3206	3206	3206	1308	1308	1308	-7.18
2.Potentially Viable PACS	267	272	487	261	261	277	290	290	290	119	119	119	-6.51
3. Dormant, Defunct and other PACS	537	526	505	489	491	498	494	494	494	182	182	182	-8.62
Membership (in Number) of which													
1. Scheduled Caste	419	429	365	366	372	379	406	406	406	133	133	133	-9.11
2. Scheduled Tribes	0	0	0	0	0	0	0	0	0	8	8	8	_
3. Small Farmers	0	0	0	0	0	0	0	0	0	301	301	301	_
4. Rural Artisans	1537	1490	1582	1607	0	0	0	0	0	18	18	18	-30.99
5. Marginal Farmers and others	116	148	168	164	1777	1840	1858	1858	1858	259	259	259	6.93
6. Total Membership	2072	2067	2115	2137	2149	2219	2264	2264	2264	719	719	719	-8.44
Paid-up Share capital (₹ Lakhs)	17445	18240	19097	20274	21819	23804	25815	25815	25815	4079	4079	4079	-11.41
Reserves (₹ Lakhs)	3545	4061	4438	4835	5242	5736	6278	6278	6278	25741	25741	25741	17.96
Working Capital (₹ Lakhs)	258689	312067	351688	416652	466489	523344	590107	590107	590107	120586	120586	120586	-6.16
Deposits (₹ Lakhs)	42271	52493	61507	59605	76310	81134	90806	90806	90806	43433	43433	43433	0.23
Borrowings (₹ Lakhs)	180279	206642	230023	263063	317601	364715	402007	402007	402007	155468	155468	155468	-1.23
No. of Borrowers	1461	1468	1920	1665	15	17	1744	1744	1744	635	636	635	-6.71
Loans Issued (₹ Lakhs)	277160	332818	378948	455191	510617	591863	625310	625310	625310	167554	167553	167554	-4.11
Loan Recovered (₹ Lakhs)	236948	308590	343344	417802	450964	627338	627338	627338	627338	148287	148283	148287	-3.83
Loans Outstanding (₹ Lakhs)	208389	231949	266476	303515	361248	401232	443193	443193	443193	124889	124889	124889	-4.18
Over dues (₹ Lakhs)	40648	53160	48190	55428	64489	66174	87302	87302	87302	32946	32002	32946	-1.74
Demand for credit (₹ Lakhs)	278536	363407	393947	477050	518486	613006	717564	717564	717564	181232	181230	181232	-3.52
Percentage of Over dues to Demand	14.93	15.08	12.85	12.42	13.02	26.02	12.57	12.57	12.57	18.18	18.18	18.18	1.65
No. of Societies in Profit	1880	2324	2256	2403	2330	2370	2504	2504	2504	925	925	925	-5.74
Profit(in ₹ thousands)	2681	5761	423590	359486	456188	718643	923994	923994	923994	1985630	1985630	1985630	73.43
No. of Societies in Loss	1720	1203	1272	1171	1183	1134	970	970	970	472	472	472	-10.22

Source: Basic Data on Performance of Primary Agricultural Credit Societies published by NAFSCOB – Mumbai (2002-03 to 2013-14)

There is an increase in membership of marginal farmers by 6.93 per cent while membership of schedule tribes and small farmers has remained unchanged. Paid-up share capital and working capital has declined by 11.41 per cent and 6.16 per cent respectively. Reserves have increased by 17.96 per cent. They have increased from ₹3545 lakhs in 2002-03 to ₹25741 lakhs in 2013-14. Deposits have increased from ₹42271 lakhs in 2002-02 to ₹43433 lakhs in 2013-14 showing a slight increase by 0.23 per cent over the period. Borrowing of PACS have declined from ₹180279 to ₹155468 from 2002-03 to 2013-14 registering a decline of 1.23 per cent. Number of borrowers also indicates a decline from 1461 to 635 by 6.71 per cent.

Total loans issued have decreased from ₹277159.75 in 2002-03 to ₹ 167554 in 2013-14. The decline is by 4.11 per cent. Recovery of loans is also poor. It has declined with a compound annual rate of 3.83 per cent from ₹236948 in 2002-03 to ₹48287 in 2013-14. Loans outstanding have shown a negative growth of 4.18 per cent. Loans outstanding are ₹124889 in 2013-14 against ₹ 208389 in 2002-03. Over dues of PACS has declined from ₹40648 in 2002-03 to ₹ 32946 in 2013-14. Decline in them is by 1.74 per cent. Demand for credit, with a decline of 3.52 per cent, is ₹181232 in 2013-14. It was ₹ 278536 in 2002-03. The CAGR of percentage of over dues to demand is 1.65 per cent for 2002-03 to 2013-14. The noteworthy point is that though there are some PACS showing loss yet the number of societies earning profit is more than the societies working at loss. Despite the decline in number of societies earning profit, there percentage share is greater in total number of societies when compared with loss making PACS. In 2002-03, 1880 PACS were earning profit while 1720 per cent were working at loss. During 2013-14, 925 PACS were earning profits while the PACS bearing loss was 472. It is a good sign for PACS functioning in Punjab that their rate of profit compounded annually is 73.43 per cent. Therefore, their performance in Punjab seems to be satisfactory.

FINDINGS OF THE STUDY

The above analysis has thrown some light on important indicators of growth and performance of various cooperative credit institutions in Punjab. The main findings of the study are:

1. Branch expansion of the State Cooperative Bank (SCB) has shown a negative trend.
2. Total share capital, working capital and deposits of the SCB have shown a positive increase for the study period which is a healthy sign for its growth.
3. Compound growth rate of demand for credit, in case of the SCB, is greater than the loans issued. Their growth rate is 14.13 per cent and 11.30 per cent respectively.
4. Profits of the SCB have shown negative growth which is critical for its sound performance.
5. Number of branches of District Central Cooperative Banks (DCCBs) has declined slightly with a compound annual growth rate of 0.06 per cent, though their membership has increased at a growth rate of 7.44 per cent.
6. Total share capital, total reserve funds, working capital and deposits of DCCBs have indicated robust increase in them.
7. Amount of loans issued by DCCBs is at continuous rise but it is inadequate to meet the demand for credit.
8. Recovery performance of DCCBs is satisfactory.

9. Problem of over dues of DCCBs is at rise. Over dues are increasing at a compound growth rate of 7.03 per cent.
10. Number of branches of DCCBs working at profit is shrinking at a rate of 1.55 per cent. Declining profit of these banks is adding trouble to their efficiency level.
11. Number of Primary Agricultural Credit Societies (PACS) and their membership has declined considerably from 2002-03 to 2013-14.
12. Paid-up share capital and working capital of PACS has fallen at compound growth rate of 11.41 per cent and 6.16 per cent respectively.
13. Reserves of PACS have shown an increase of 17.96 per cent.
14. Number of borrowers of PACS and demand for credit has reduced noticeably.
15. Growth of loans advanced, loans recovered, and loans outstanding; and over dues of PACS is negative.
16. Though number of PACS earning profit is decreasing, but profit of PACS has revealed a very positive sign of growth by showing 73.43 per cent compound annual growth rate.

RECOMMENDATIONS/SUGGESTIONS

It is apparent that there are severe flaws in the performance of credit cooperatives in Punjab. Their membership is on decline. They don't have sufficient funds to meet the demand for credit. In case of Primary Agricultural Credit Societies (PACS), demand for credit is very low. This describes that rural people are dependent on other sources of credit rather than on PACS. Some suggestions that can be effective for a sound performance of these institutions are as under:

1. To bridge the gap between the demand for credit and supply of credit, credit limit of credit cooperatives should be increased.
2. To increase the membership of these institutions, it is important to win the faith of people in them by adopting and implementing democratic principles in letter and spirit.
3. To increase the demand for credit of Primary Agricultural Credit Societies, easy and timely disbursement of credit is necessary.
4. To curb the problem of declining profits, credit cooperatives must have a cautious vigil on credit use by different type of credit users. A concrete policy must be designed to ensure that the credit is only used for the productive purposes.
5. For remarkable progress of credit cooperatives, Government should come forward to bring awareness among people about the significance of these institutions over local money lenders.

CONCLUSION

Cooperative movement is extremely successful in Punjab. Besides other services, cooperatives are serving the purpose of agricultural credit to farmers and others including schedule castes and schedule tribes. But the above analysis depicts a very gloomy picture of credit cooperatives. It reveals that loan disbursement capacity of these institutions is very limited, overdue problem is persistent, profits are falling, membership is declining and most important point to note is that demand for credit is diminishing in case of PACS. Declining demand for credit raises the question about their role in providing cheap credit to the deprived to make them free from the grip of voracious money lenders. These institutions are still ineffective in providing adequate credit to the under-privileged at grass-root level. It is imperative to revitalise cooperative credit institutions to ensure the financial inclusion of the rural populace.

LIMITATIONS

The study covers only a period of 2002-03 to 2013-14 to check the performance of credit cooperatives in Punjab. It is so because data prior to 2002-03 was incomplete and incomparable. Moreover, only short-term and medium-term credit agencies are covered.

SCOPE FOR FURTHER RESEARCH

The same kind of analysis can be extended to the long- term credit agencies. Profitability of these institutions can be analysed and compared by using advance statistical tools.

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TOURIST SERVICES EVALUATION OF HOSPITALITY UNITS: EXPERIENCES AND OBSERVATIONS FROM HOTEL AND RESTAURANT PROPERTIES OF SRINAGAR GARHWAL, UTTARAKHAND

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ABSTRACT

Recognition for services quality has become an area of concern by many tourism and hospitality researchers in Garhwal Himalaya. Number of research studies as well as observations revealed that there exists a huge difference between the services perception and expectation level in hotel industry. Given the nature and scale of hotel and restaurant properties in Uttarakhand State, present study is aimed to assess and observe needs and expectations of transit tourists at Srinagar town enroute Kedarnath and Badrinath religious shrines and evaluate how these needs and expectations are fulfilled during their holiday sojourn by accommodation and restaurant units. This research paper is based on primary data collected during on the spot survey at Srinagar Garhwal and secondary data compiled from various research journals, seminar proceedings and government reports on tourism and hotel industry. At the same time to have a more insight into various depth and dimensions of service quality direct communication and interview techniques were executed for soliciting the respondents' views. Research study conducted prior to Kedarnath natural catastrophe of June 2013 specifically focuses on the quality of services provided and tries to identify product quality of services offered by various hotel and restaurants properties at Srinagar Garhwal in Uttarakhand State. Results of the study indicate that encompassing a sound environment and facilities conducive for better services to move in with confidence in terms of tourist perception, satisfaction and dissatisfaction level vis-à-vis employees' growth is essential to add more value to hospitality sector in the present study area. Similarly, it has been observed that the vast potential for pilgrimage and adventure tourism in this region should be streamlined within the purview of policy perspectives of the State.

KEYWORDS

accommodation, employees, hospitality, quality, satisfaction, services, tourism.

INTRODUCTION

Sprawling in an area of an area of 9.659 Sq Kms, Srinagar town is situated at an altitude of 579mt above sea level on the left bank of Alaknanda River where a number of hotel and restaurant units are catering the needs of transit tourists enroute Badrinath- Kedarnath *Yatra* route. Home to various educational bodies, Srinagar received its name from *Sri Yantra.* It is a centre of divine energy, a *siddha peeth* since ancient times. Srinagar town is an important and fast growing town of Garhwal and is known as a gateway to Himalayas encompassing large number of tourists every year. There has been a tremendous growth of accommodation and during the past three years, a large number of hotels, lodges and resorts have been built in Srinagar to cope with the increasing number of tourists' traffic. Study area has vast potential of promoting local *Garhwali* cuisine among tourists. Tourist Rest House of Garhwal Mandal Vikas Nigam (GMVN) started serving local cuisine to tourists and has even published brochures of local delicacies. Accommodation and other infrastructural facilities along the important transit route of have been upgraded in a phased and coordinated manner. Master plan prepared by Uttarakhand Tourism Development Board (UTDB) in association with World Tourism Organization (UNWTO) and United Nations Development Programme (UNDP) for the period 2007-2022 in three volumes states that improvement in the selection and quality of accommodation facilities, basic infrastructure facilities, food and beverage, entertainment and general service level for all standards and types of outlets is a prerequisite for any destination.

The region has tremendous opportunities for water-sports activities like river rafting, canoeing, and kayaking, fishing/angling etc. This is obvious with the flattening of the river Alaknanda starting from Dhari Devi which nearby ends at Kirtinagar. So a long stretch of almost 10 km is needed to be plunge into water-based activities. Angling including catch and release can be promoted in a planned and phased manner. To encourage the traditional handicrafts rural craftsman will be provided the necessary training and crafts bazaars, crafts villages should be set up and handicrafts and souvenirs can be developed to a largest extent. Stalls should be made available for marketing the local crafted goods, especially during the various fairs and festivals. Infact, some major steps have been initiated by Municipality to showcase the uniqueness of crafts made by local people during *Chaturdashi Mela* held every year in the month of November. Being credited one of the major towns of the Pauri district local people can be given an opportunity to sell their goods in an open market at Srinagar. As far as the administration is concerned municipality of Srinagar has a lot to do for the regular supply of Water, establishing and maintenance of hospitals. The role of municipality and govt. is an important and complex aspect of tourism involving policies and political philosophies whatever political philosophy is preeminent within a state it seems clear that those holding power decide who gets what, when and how. Existing tourism and policy framework counts a great deal to put the vision of "Visit Uttarakhand" into real practice. Moreover, it is noteworthy to see that the large chunk of earnings is based on the tourism and hospitality related activities which help in segregating the earnings into various fields.

There are number of pre-conditions to be met before the full potential of many unique resources can be utilized for both domestic as well as international tourists. In this context, the study area has been identified for the present research work keeping in view it's scope of hotel business which provides benefits to all the section of society, be it employees deployed at different level, local stakeholders, tourists, government, owners etc.

AIMS AND OBJECTIVES OF THE STUDY

Concise statement of study covers the following aims and objectives.

1. To analyze the existing status of accommodation sector.
2. To study and evaluate the perception, expectation and satisfaction level among tourists availing accommodation facilities in Srinagar town on way to Badrinath and Kedarnath religious shrines.
3. To assess the present and future requirement of accommodation and restaurant units.
4. To study the basis of promotion and motivational factors among employees.

REVIEW OF LITERATURE

Among scholars who deeply studied the importance of Garhwal Himalaya and its rich potential reservoir of tourist places are Bagri (1995); Naithani (2006); Purohit (2000); Bagri and Gupta (2001); Bainjwal (2002); Fonia (1998); Gupta (2002) contributed their work on pilgrimage, cultural and natural attractions providing a broad overview of holistic development of hill tourism through their forecasted vision. The quality concept has changed drastically over time. The realization of services quality is defined by various scholars (Crosby, 1985; Juran, 1990; Carman, 1990; Haynes et al., 2000; Gronroos, 1982; Edvardsson, 1996; Browen et al., 1993; Ryan, 1995). Service quality is a central task for management at all levels. Successful service companies must satisfy the needs and expectations of customers, co-workers and owners at the same time (Aigbedo et al., 2004; Thongsamak, 2001). Quality should be considered as everyone's responsibility. Service development and service construction is prerequisite for the right quality when developing new services. Emphasis on the development of quality in all processes in the organization is essential. Detecting customer dissatisfaction, learning to repair mistakes, compensate and explain the cause of the quality failure is of prime importance. Emphasis on the co-worker's commitment to customer-perceived is weighed much importance in service quality to increased emphasis on systematic measuring of the satisfaction and dissatisfaction level. Parasuraman et al. (1985, 1988, and 1991) presented quality dimensions of services as a base for the discussions in hospitality industry such as reliability, responsiveness, assurance, empathy and tangibles features. Similar study was performed by Zeithaml, Parasuraman and Berry (1990); Cronin & Taylor (1992); Witt & Muhlemann (1994) to measure quality based on the presumption that service quality occurs when customers perceive received performance to equate with prior expectations.

In hospitality sector the product, quality and the relation between price and performance will gain importance in the coming year which leads to heavier focus on customer relation management (Kandari and Chandra, 2004; Rust and Oliver, 1994; Dharmarajan, 1981; Mohanty, 1992; Sharma, 2005; Bansal, 1994; Prajapati and Kachwala, 2006; Maylor, 2000; Tse, 1996). The increased travel experience, flexibility and independent nature of the new tourists are generating demand for better quality, more value for money and greater flexibility in the travel experience (Sharma, 1988; Negi, 1982). The architecture of a hotel, the décor of a lobby, furnishing and beautification of room, warmth and friendly nature of the team, courteousness and behaviour of staff, the empathy of the front office assistant at the front desk (Prajapati and Kachwala, 2006) are examples of hotel attributes (wow effects) that may be the reason behind a benefit, or tangible surrogates for intangible benefits. Since quality often is interpreted as equal to pleased, or preferable delighted customers it is extremely important to understand the customer needs and expectations rightly termed as relationship marketing (Kotler et al., 2003). Therefore, it is important to make serious efforts to identify needs and expectations and to measure customers' experience and customer satisfaction and use that information as a base for quality improvements (Subbarao, 2008; Madanoglu, 2004).

METHODOLOGY

Present study deals with a certain form of service quality, namely quality within tourism and hospitality. The research work is confined to Srinagar Garhwal and its nearby town Srikot where the sample size of 85 respondents has been selected. Going by breakup the sample size consists of 50 tourists, 15 hotel entrepreneurs comprising hoteliers, restaurant runners and eatiers promoters and 20 hotel employees. The respondents (tourists) choosen for the study are foreigners as well as domestic travelers visiting the upper reaches of Himalaya for different touristic purposes.

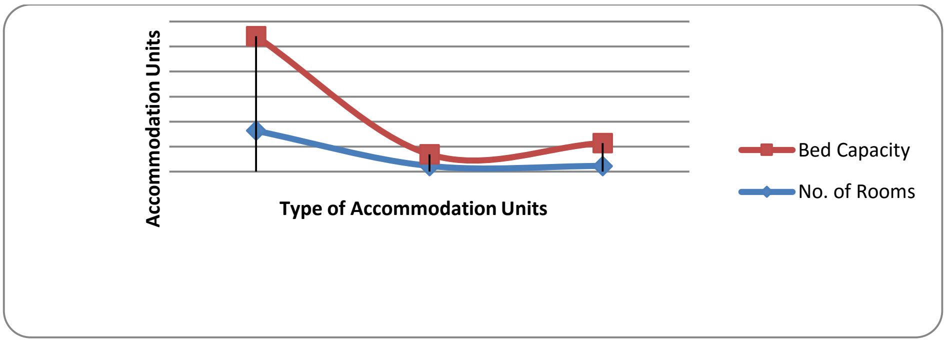
The research work carried under the topic was based on the combination of primary and secondary data. For the collection of data, closed ended (structured) questionnaire was adopted for the respondent responses. Simultaneously hotel owners were asked in detail about the various projects and strategies under pipeline to attract the attention of tourists towards their property. The significance of studies on tourist satisfaction is all the more important; low to moderate satisfaction is the expression of the qualitative and/or quantitative gap between demand and supply. If the areas of dissatisfaction are realistically explored and well thought of actions are accordingly taken, the inclining downfall of the destination can be controlled.

Based on the survey calculation analysis was made. Initially as regards to the sample size of tourists it was 70 but after careful scrutiny of all questionnaires of tourists only 50 were found appropriate and authentically filled. Out of 50, 38 responses by Indians and 12 responses by foreign tourists were finally short listed. Simultaneously 15 hotel entrepreneurs and 20 hotel employees were given questionnaire to fill up on various parameters. Personal interviews were conducted with all the respondents to go into detailed depths and dimesnions of the study. Under such circumstances, the present study can, therefore be only considered as a pilot work on the subject concerned on account of small sample size of employees, employers and tourists.

STATUS OF ACCOMMODATION SECTOR

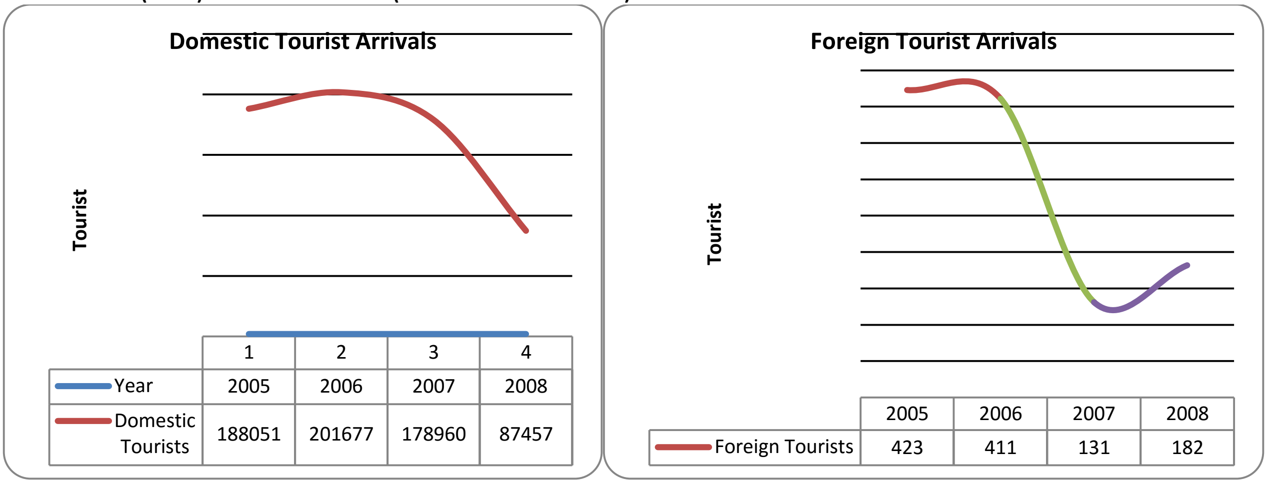
There is a wide variety of types of accommodation that may exist or can be planned for an area. (Inskeep, 1991). Srinagar Garhwal enjoys the privilege of various types of hospitality units which come under unorganized sector. However, there are at present two Tourist Rest Houses (TRHs) of Garhwal Mandal Vikas Nigam (GMVN), a unit of Uttarakhand Govt. TRH maintains a standard of services and other facilities for tourists. It has also a wing of Tourist Information Centre (TIC) which makes available all the data and information to the tourists heading towards various destinations to the upper reaches of Garhwal Himalaya. Another Government property is Tourist Guest House (TGH) that was previously operated under the brand name of *Raen Basera* on the major *yatra* routes along with lesser known destinations in Pauri, and Tehri districts. Deluxe Hotels consists of IVY Top Resort, Riverside resort, Shriyantra Tapu resort, catering to the foreign tourists with a major share of 60% of domestic tourists. Hotels owned by Individuals are semi deluxe and budget category catering to the needs of budget travelers. Other hotels properties are Hotel Prachi, Siddharth, Devlok, Samrat (All semi deluxe hotels) and Sudarshan Castle, Urvashi, Pine Inn, Bee Je Inn. On the other hand, Dharamsalas and *Yatri Niwas* like Baba Kali Kamli Yatri Niwas, Kali Kamli, Jain Dharamshala, and Santlal Dharamshala are catering to the needs of pilgrims, saints and sages moving towards a journey to Badrinath, Kedarnath, Joshimath pilgrimage centres. One Gurudwara run by Hemkund Sahib Gurudwara Committee, Ludhiana accommodating a large influx of Sikh pilgrims visiting Hemkund Sahib in Chamoli district. It is noted in the study area that every hotel property is having own family restaurants. Accommodation units as stated above have sufficient Rooms and bed capacity as exhibited below in fig. 1.

FIG. 1: ROOMS AND BED CAPACITY IN DIFFERENT ACCOMMODATION UNITS



Source: Primary Data collected during field visit

FIG. 2 (A & B): FLOW OF TOURISTS (DOMESTIC AND FOREIGN) AT SRINAGAR TRANSIT HUB UTTARAKHAND FROM 2005-2008



Source: Tourist Information Centre, Srinagar Garhwal, Uttarakhand

Figure depicted below in Table 1 of tourist arrivals during the year 2005, 2006, 2007 and 2008 reveals that May, June, July and August received recorded number of tourists during 2005 and 2006 but during 2007 out of total tourist arrival of 1,78,960, May, June and July month received 75% of (1,33,561) tourists while having overnight stay at Srinagar. As regards to foreign tourists in every year March, April, May and June month recorded the large number of share. Only in the year 2006 August, September and October months are exception where 63, 40 and 72 foreign tourists were registered respectively where almost 43% out of 411 tourists was pocketed by these months. As regards to the year 2008 languishing trend in tourist growth is persistent where less domestic tourist (87,457) and foreign tourists (182) marked their presence as compared to previous years. When the trend among domestic tourists is studied, it is observed that during 2008 the month of July and August received 38910 and 25208 respectively out of 87,457 domestic tourists. March and April month were considered good when 75 and 53 foreign tourists respectively visited the place.

TABLE 1: HALF-YEARLY (JANUARY- JUNE AND JULY-DECEMBER) BREAK-UP OF TOURISTS (DOMESTIC AND FOREIGN) AT SRINAGAR TRANSIT HUB UTTARAKHAND FROM 2005-2008

Tourist Arrivals	2005		2006		2007		2008	
	Domestic Tourists	Foreign Tourists	Domestic Tourists	Foreign Tourism	Domestic Tourists	Foreign Tourists	Domestic Tourists	Foreign Tourists
Jan-June	98,896	256	1,05,547	199	1,15,082	80	23,339	141
July-Dec	89,155	167	96,130	212	63,878	51	64,118	41
Total	**1,88,051**	**423**	**2,01,677**	**411**	**1,78,960**	**131**	**87,457**	**182**

Source: Tourist Information Centre, Srinagar Garhwal, Uttarakhand

When looked into the first half of every year it was experienced that January-June bracket outwit the second half of July-December in terms of domestic tourists arrivals. Only the year 2008 shows a downturn picture of the first half where negligible (27%) share of total domestic tourists is registered out of total 87,457 domestic tourists. Rest 73% share is received by second half of the year. With respect to foreign tourist influx same trend is visible where variations can be seen each year as in 2005 first half of the year (Jan-June) receives more tourists than the second half of July-December. On the other hand, the year 2006 is projecting a little bit increase (of 13) in foreign tourist arrivals in the second half as compared to first half of the year where only 199 tourists were recorded. Statistics of 2007 and 2008 year projects a higher increase in the first half as compared to second half in terms of total tourist arrivals. These downward fluctuations as interpreted by data in tourist % might be a result of deteriorating and poor quality of services by accommodation and restaurants units. Similar observations can be made in terms of languishing average length of stay (in nights) because of the absence of tourist's activities appealing to tourists for more holiday sojourn in Srinagar.

TABLE 2- FLOW OF TOURISTS (DOMESTIC AND FOREIGN) AT SRINAGAR TRANSIT HUB UTTARAKHAND FROM 2009-2012

Place of Visit	Year 2009		Year 2010		Year 2011		Year 2012	
	Tourists		Tourists		Tourists		Tourists	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Srinagar	247974	339	219103	1098	291216	4735	324218	5192
Total	**248313**		**220201**		**295951**		**329410**	

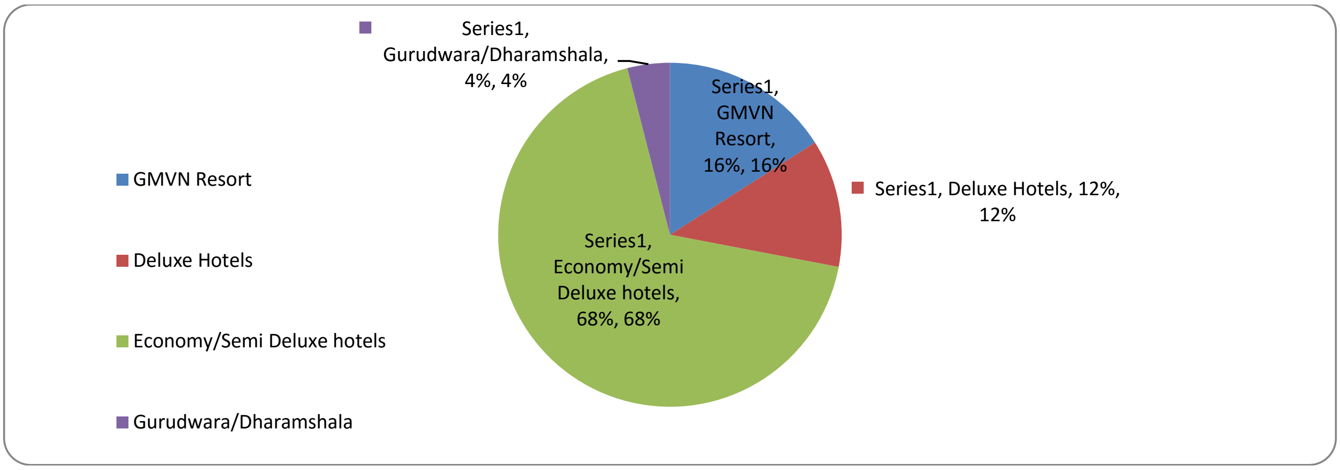
Source: Uttarakhand Tourism Development (UTDB), Dehradun

Table 2 shows that there is a constant increase in the flow of foreign tourists from the year 2009-2012 but as regards to the domestic tourist's flow; there is a decline in the year 2010 as compared to 2009. Largely, foreign tourists' visit the place for their quest towards adventure tourism destinations in the upper reaches of Himalaya like Auli, Chopta, Valley of Flowers and Nanda Devi National Park etc. Hence, there is an upward trend in the flow of foreign tourists. Garhwal Himalaya is popular for its *Char Dham* and during May and June every year; there is a large influx of domestic tourists' who visits Kedarnath and Badrinath shrine.

FINDINGS OF THE RESEARCH STUDY

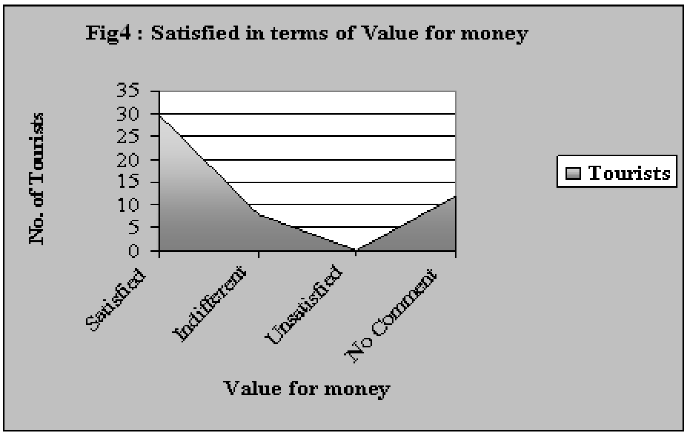
As regards to tourist survey, out of 50 respondents 13 tourists either chooses spouse, family or friends/ relatives during their journey to Garhwal Himalaya enroute Srinagar Garhwal. Least number of tourists i.e., 8 only visited alone. As regards to types of accommodation 68% of tourists prefer GMVN Tourist Rest House (TRH) for accommodation because of the convenience, comfort they felt while their holiday sojourns. 16% tourists choose economy/semi deluxe hotels while 12% of tourists preferred deluxe hotels. Fig. 3 exhibits the details on the type of accommodation preferred by tourists during their stay.

FIG. 3: TYPES OF ACCOMMODATION PREFERED



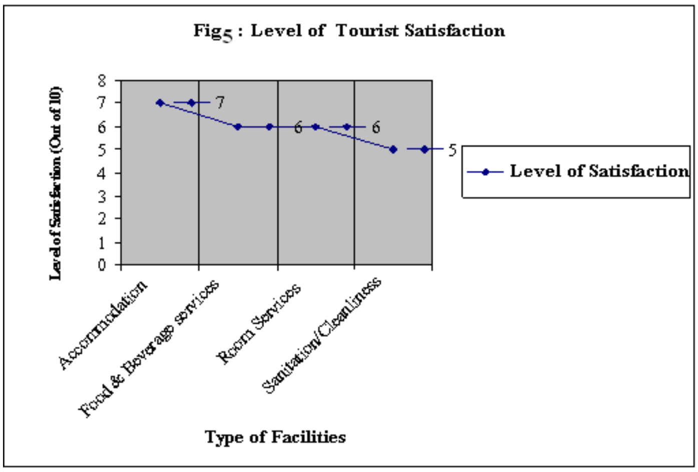
Source: Primary Data collected during field visit

As regards to the satisfaction in terms of value for money 30 tourists were satisfied after availing various services at hotel and restaurant units while 8 tourists were quiet indifferent to the satisfaction. None of the tourist responded to be unsatisfied as exhibited from fig. 4.



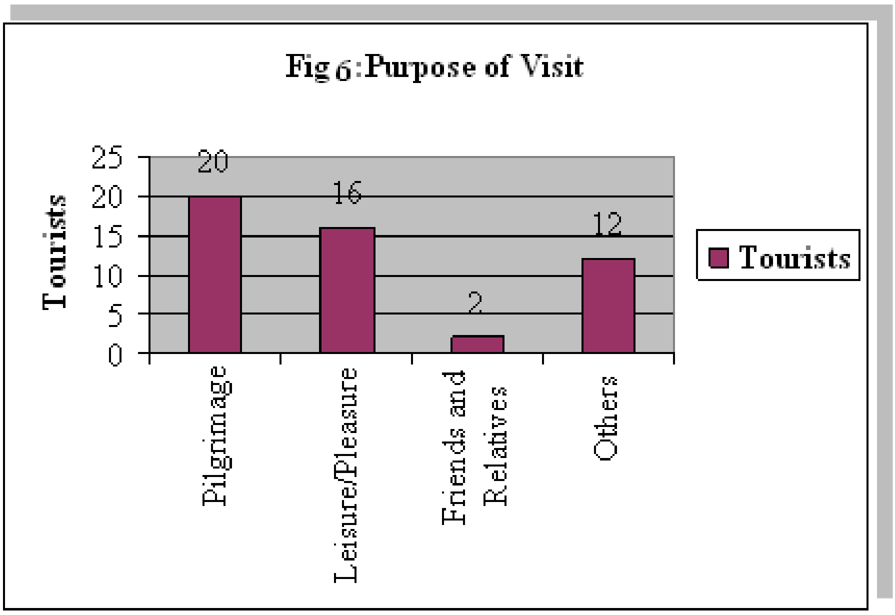
Source: Primary Data collected during field visit

Predominantly 30% tourists visited the area were in the economically active age group of 25-34 while 10% tourists were above 55. Pilgrimage tourists (40%) outnumbered other budget and affluent tourists coming for leisure and recreation. As far as the level of satisfaction of tourists is concerned, most of them were satisfied with accommodation units. On the other hand, food, room services and cleanliness were satisfactory but not quiet good as demonstrated by fig 5.



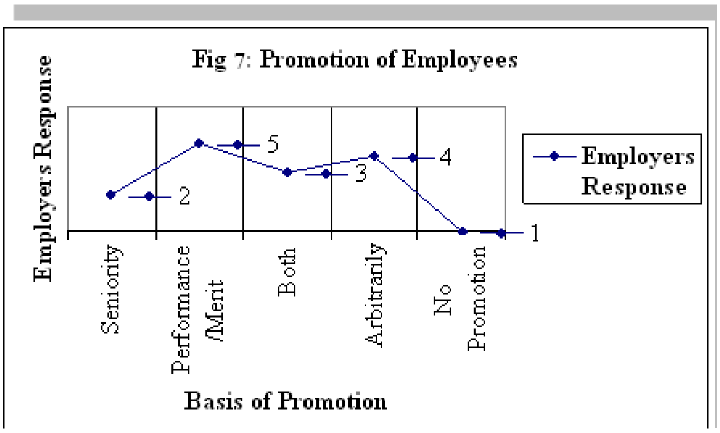
Source: Primary Data Collected During the Field Visit

Fig. 6 points out that pilgrimage is the major motivational factor among tourists to visit Srinagar followed by leisure/pleasure etc. Respondents registering premium value to pilgrimage may be because of their pre-conceived ideas of moving towards higher reaches of Himalaya with a great deal of sanctity towards sacrosanct haunts of Badrinath and Kedarnath. To add to it, Srinagar town itself is dotted with many pilgrim places like Kamleshwar temple, Jain temple etc. Far reaching consequences of it led tourists to weigh more response to pilgrims, not to leisure/recreation and other activities.



Source: Primary Data collected during field visit

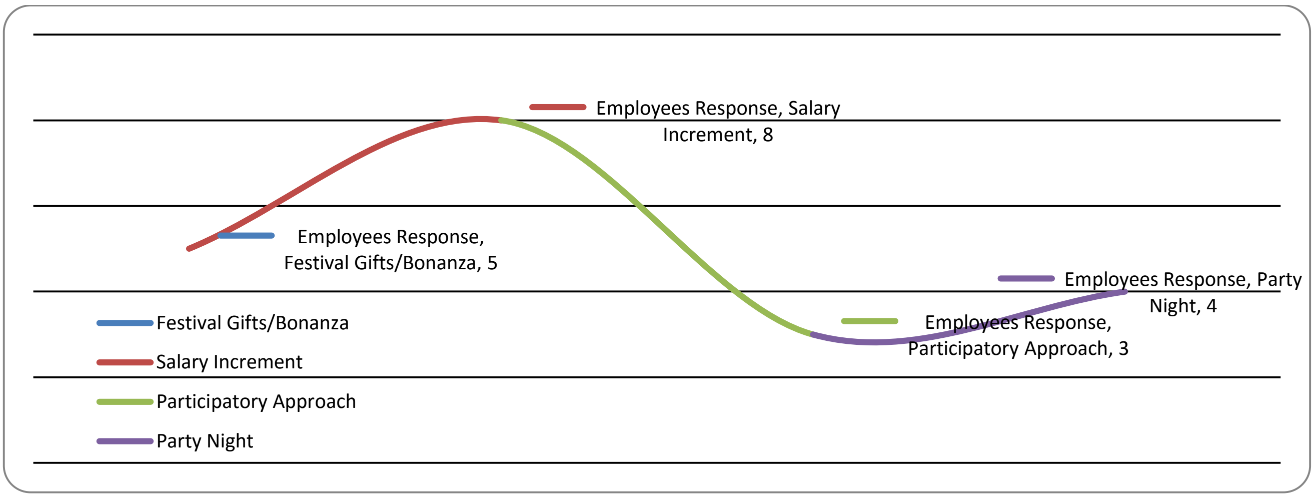
With regards to profiling of employers in terms of choosing a base for promotion of their employees, most of the employers (5) agreed that they prefer to give weightage to performance/merit as a base for promotion, while 04 employers opine that it is arbitrarily done to promote employees as and when required. Fig. 7 furnishes detail on the basis of promotion choosen by employers.



Source: Primary Data collected during field visit

The responses from the employees working in different accommodation units exhibit that the highest motivational factor for keeping them in job is salary increment followed by festival gifts, party night and participatory approach as inferred from fig. 8 below. As stated earlier in figure 6, tourist accorded top priority to pilgrimage as a primary purpose of their visit, the further consequences of it was a lenient views expressed by tourist not to be extravagant or compulsive travelers during their stay in Srinagar, resulted into less money/profit pocketed by employers from their hotel properties. Because of this attitude of tourists, no sound policy of motivational factors and performance appraisal was formed for the betterment of employees.

FIG. 8: MOTIVATIONAL FACTORS AMONG EMPLOYEES



Source: Primary Data Collected During Field Visit

DISCUSSIONS

Hotel industry is very much a people industry with humane elements where quality of services itself largely depends upon efficient and effective management. Management should not be centralized in the same way as other ancillary activities. It is supposed to be variable, flexible and essentially as an integrating process. Many visitors need to have direct access and interaction with the working staff. Their behavior and attitude forms an essential ingredient of the hospitality functions. They are part of the finished product that the visitor is paying for. An understanding of the pervasive influences, determining the attitude of workers within the establishment, which ultimately determines the quality of services, should therefore, form a central focus of the management. Tourist satisfaction, which affects the economic return of the hotel properties, is likely to be affected as much by the attitudes and behavior of the staff as by the standard of accommodation and quality of food and other services. Tourism and Hospitality are activities in which attitude plays a significant role in decision making as a focused and mass activities. Tourism is a dynamic activity, which often involves change; therefore, it would be reasonable to expect attitudes to be a significant component of these activities. The notion of happy employees as a part of interactive marketing has a special relevance with hotel and restaurant units. Given the higher customer expectations of quality in a one-to-one relationship with the service personnel, an important part of the required skills concerns personal behaviour and communication, as opposed to specialized operational skills.

Observations

As regards to the study area, there are few observations as listed below:

- As evident from tourist traffic of 2008, Srinagar town is languishing in terms of tourist arrivals to an abysmal level. In a similar fashion trend of 2010 shows that there is a downfall in the domestic tourist arrivals as compared to the year 2009.
- Tourists who yearn for pilgrimage, adventure, and leisure/recreation activities, also expects hoteliers to provide the services as they need. With reference to Srinagar-a transit route, tourist staying here for one day, she/he can extend duration of trip for 2 or 3 days by increasing length of stay, provided the availability of better and quality services and destination development.
- In the study area there has been a strong bias in the pattern of growth of hotel and accommodation sector. High degree of seasonality is noticed with the flow of foreign tourists. There also exists a gap between the expectation of tourists and their perception of services received effectually, what they actually avail.
- A considerable amount of difference in the perceptions is apparent between tourists and the service provider of accommodation services, usually which comes as a surprise to the management of the hotel concerned.
- Location and amenities have greater influence than the prices on the tourist demand for accommodation. It is realized that person employed in hotels and restaurant sector are yet to become tourist-friendly.
- Specialized training programmes with regards to hospitality operation, proper maintenance of properties, tourist's services etc. need to be taken on priority basis.
- Health and hygiene concept of hospitality is least bothered about.
- With the rapid growth in tourist traffic in the study area, it is a dire need to raise the standard of services provided by all the people involving in tourism related activities.
- In order to provide quality services to tourists various training modules are needed to train the hotel employees for disseminating the wider perspectives of their quality services.

As an apex body of Govt. for tourism promotion and development UTDB can take initiative for paragliding, water sports, and facilities in river and open an art gallery to house the historical paintings made by *Mola Ram*. All tourists should be given better services, so that next time they feel pleasure to stay here instead of Rudraprayag and some other transit route. Round the year tourism should be generated apart from pilgrimage, a personal service and feel at home culture should be given to tourists. As observed in the research findings hotel accommodation sector should be more clean, hygienic and tourist friendly. Hotel must have a scenic location, if not then hotel can have a greater ambience to make tourist feel happy with the available location. The various traditional fairs and festivals, customs art and craft, dress and food habits of the people of this region is yet to be given wide publicity, so that tourists can get a chance to see and partake the rich and varied wealth of cultural heritage. Action will be taken for preservation of building and places of archaeological interest like the old building near vegetable market which has a history dates back to 1506 AD and *High Altitude Plant Physiological Research Centre* (HAPPRC) museum of varied and variegated floral wealth. It can be said that in order to increase the overnight stay of guests local sights of interest in Srinagar town can be developed and emphasis has to be given to ensure that there is interest for tourism beyond one-night stay.

There is a need of confidence building measures ensuring that Srinagar town is a safe and secure place to stay for their holiday sojourn. As few hoteliers during survey opines that round the year tourism can flourish apart from pilgrimage, but personal services should be provided to tourists making them feel close to home culture. Private hoteliers and other stakeholders can become a beacon of light by doing something better to project the good image of a traditional trend of welcoming guest with charm and smile on employee's faces. Better services and good behaviour acts like a striking chord for great deal of service par excellence in tourism and hospitality field to make Srinagar as a transit to terminal destination. Tourists having their stay at Srinagar town also hope that there is a great potential for tourism, but hotel services and basic infrastructural facilities are the main hurdles. Government should take concrete steps to promote tourism sector and also laid down the norms for recruiting hotel personnel's as well as providing ample guidelines and norms for hotel properties. Hotel and restaurant sector will definitely grow if quality matches with expectations. On the other hand, local cuisine of Garhwal has a prominent role for accelerating the growth of hotel and restaurant properties. Cuisine famed for its variety and indefinitely subtle blends of aromatic spices and seasoning which flavour pulses and vegetables are worth to mention for the sake of tourist's satisfaction. Local cuisines can be served to the tourists on a daily basis.

In a nutshell there is a concomitant need to outline the master plan that add documentation of tourism strategies envisaging the following strategies in order to ensure a proper synchronization between tourists' perception, expectation and satisfaction. There is a need for confidence building measures ensuring that Uttarakhand in general and study area in particular is a safe and secure destination for tourists. Encourage more domestic travels by tapping the domestic market without sapping and capping. Service sector needs to develop brand image as tourist destination by relationship marketing. Public-Private sector participation (PPP) and the incentives for such ventures shall be extended by the nodal agency. Since this region suffers from economic backwardness, it needs to establish an institutional links on the lines of Tourism Finance Corporation of India (TFCI) and Federation of Hotel and Restaurant Association of India (FHRAI) and other associations. New tourism units in the State will be allowed rebate/ deferment facility in the payment of luxury tax for a period of five years from the date of commencement. Steps will be taken to provide beer-bar licenses to hotel units with attached restaurant facilities. To ensure increased participation of the private sector in the area of tourism a consultative mechanism will be established. In addition to these, it is proposed to offer land on long-term lease to private investors who would like to invest in the development of resorts, wayside amenities, nature and ecotourism interpretation centers, yoga and meditation centres etc. in Srinagar town.

CONCLUSION

The new skill requirements have an undeniable vertical element. More complex workplaces have brought about a shift in training concerns from operational or vocational skills to personal and social skills. Management-level requirements mirror the qualities as listed elsewhere in the research work, but also embrace a new approach to human resource management and development. Enterprises are espousing a philosophy by which workers receiving "good service" from their superiors are more likely to provide "good service" to customers. Same formula applies with the hospitality units of the study area. The availability of skilled and trained manpower is a crucial element in the successful long-term development and sustainability of a tourist destination. Continuous training beyond initial vocational training is becoming increasingly important for workers at all levels, in response to rapidly changing skill requirements besides motivating employees to retain a fair image.

A multiplier effect of the income is clearly visible by employment generation, purchasing of necessary commodities for successful running of hotel property and liaisons with service providers etc. The impact of this expenditure in the economy goes on multiplying. The size of the multiplier depends on the size of tourist's expenditure and the proportion, which is redistributed to the other channels of the economy. Further augmenting the plethora of a rich tradition of craftsmanship, which if supported, can not only revive their otherwise dying heritage but open up fresh opportunities for the craftsman, in turn can become a life line for all the stakeholders. In order to promote the tourism many facets need careful handling by Uttarakhand Govt. as well as private practitioners. To draw the attention of foreign tourists' Government should take participation in International Tourism Conferences (ITCs) giving emphasis on specific products and destinations. In the interest of equitable development of the tourism activities it is crucial that Uttarakhand Tourism Development Board (UTDB) makes a concrete effort to develop new accommodation unit in all major transit routes.

To move towards conclusion, it is imperative to promote and develop tourism as the major industry, for this certain measures are to be adopted like sound infrastructural basic for tourism plant facilities, mobilization of resources, human resource development and local people participation. It is a high time now that hotels must concentrate on the services rather than money otherwise sooner or later tourists will switch their interest to other destinations. Employees nature are very complex to understand so special treatment is needed while dealing with their grievances. Tourists complaints must be handled with due care. Hotels, guest houses, Ashrams, Dharamshala etc. should begin to concentrate on their products attributes available for tourist consumption rather than on purchasing power of tourists.

The organization of economic activities essentially involves the task of pooling several resources from the concerned socio-economic system. Tourism economy is as facilitators not administrators, which aims to draft policies, programs, and to develop an appropriate environment leading to the organization with good human relations. To make each employee contribute maximum effort to the effective working of the hotel unit, to ensure respect for tourists and well being of individuals, maximum individual development of employees is a grey area to focus on.

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IMPORTANCE OF GOODS AND SERVICES TAX IN THE TAXATION SYSTEM AND ITS IMPACT ON INDIA's GROWTH

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ABSTRACT

The goods and services tax bill which is hold in government desk from during the year 2000-2001 is now the National Democratic Alliance government has again carryout the chance of commencement. This study is all about, roll of Goods and Services Tax GST) in the growth of Indian economy and how the GST is important in the current scenario for the India's growth. The government of Atal Bihari Vajpayee was firstly brought this concept in India in the year 2000 and in the year 2012 the government of congress again tried to pass this particular bill, again the government of BJP trying to pass this bill in both houses. But every time it was unsuccessful. GST is necessary for the growth of the country. It will help the country to improve the GDP. GST is in fact is the association of all indirect taxes. The 'Make in India' campaign is proposing to make India a world-class manufacturing hub. The tax reforms through GST will play a crucial role to attract large scale investment. The impending Goods and Service Tax (GST) promises a progressive tax system which avoids tax cascades and helps establish India as a true common market. GST will reduce the cost of production and allows the hassle free supply of goods. This can increase the ease of doing business India and economic growth.

KEYWORDS

central taxes, India's growth, states goods, state taxes, gst.

INTRODUCTION

GST is Goods and Services Tax and it is a major Indirect Tax reform in India. The proposed GST is a comprehensive tax structure based on manufacture, sale and consumption of goods and services, with individual central and state components in the tax structure as CGST (Central Goods and Services Tax) and SGST (States Goods and Services Tax). Currently both the CENVAT and the State VAT (Value Added Tax) frameworks are used in the system, but both have certain incompleteness. CENVAT is not yet been extended to include chain of value addition in the distributive trade below the stage of production. It has also subsumed several Central taxes, such as Additional Excise Duties, Additional Customs Duty, Surcharges in the overall framework of CENVAT and thus kept the benefits of comprehensive input tax and service tax set-off, out of the reach of manufacturers and dealers. In the present State level VAT scheme, CENVAT load on the goods has not been removed and the cascading effect of that part of tax burden has remained there. Moreover, there are several taxes in the States, such as, Luxury Tax, Entertainment Tax and so on, which have still not been subsumed in the VAT. There has also not been any integration of VAT on goods with tax on services at the State level with removal of cascading effect of service tax. Burden of Central Sales Tax (CST) has also not been removed fully.

The introduction of GST will try to reduce burden of double taxation by removing these taxes. Proposed GST is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services. The final consumer will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

IMPORTANCE OF GOODS AND SERVICES TAX IN CURRENT SCENARIO

GST is expected to be a critical reform in spurring growth in the economy. When introduced, GST will not only make the tax system simpler, but will also help in increased compliance, boost tax revenues, reduce the tax outflow in the hands of the consumers and make exports competitive. It is hoped that the Government of Sri Narendra Modi was carryout the GST implementation from the previous Budget. The Goods and Service Tax is a long pending indirect tax reform which India has been waiting for, and which is hoped to iron out the wrinkles in the existing tax system. This comprehensive tax policy is expected to be one of the most important reforms in contributing to the India growth story. To begin with, the GST is a value added tax to be levied on both goods and services (except for a list of exempted goods and services), at both the centre and state level (Central GST and State GST respectively). This is a single tax which will be levied on the product or service which is sold. In other words, multiple taxes like CENVAT, central sales tax, state sales tax, octroi, and so on will not exist and will be replaced by GST. This comprehensive tax covers all stages from manufacture to sale. The tax will be levied only on the value added at each stage of the life cycle. The GST, as mentioned above is an indirect tax and will be borne by the customer. There will be a standard rate of GST across various goods and services, which could broadly be in line with international rates. World over, GST has been implemented in over 150 countries.

SIMPLER TAX STRUCTURE

As multiple taxes on a product or service are eliminated and a single tax comes into place, the tax structure is expected to be much simpler and easier to understand. Paperwork will become simpler and there will be a reduction in accounting complexities for businesses. A simple taxation regime can make the manufacturing sector more competitive and save both money and time. Experts opine that the implementation of GST would push up GDP by 1%-2%.

INCREASE TAX REVENUES

A simpler tax structure can bring about greater compliance, thus increasing the number of tax payers and in turn tax revenues for the Government. The current state of the Indian economy demands fiscal consolidation and reduction in fiscal deficit. A recent report by CRISIL states that GST is the country's best bet to achieve fiscal consolidation. As there is not much scope to reduce Government expenditure, increasing tax revenues is the best alternative to improve the fiscal health.

COMPETITIVE PRICING

GST will eliminate all other forms of indirect taxing. This will effectively mean that the tax paid by the final consumer will come down in most cases. Lower prices will help in boosting consumption, which is again beneficial to companies. The biggest positive of GST is that goods and services will be taxed on a common basis.

BOOST TO EXPORTS

When the cost of production falls in the domestic market, Indian goods and services will be more price-competitive in foreign markets. This can bode well for exporters, who compete with manufacturers abroad facing a lower cost structure.

The exact rate of tax levied under GST will obviously be clear only when the final announcement will be made. Irrespective of the tax rate, it is logical and apparent from examples of other countries, that GST is a critical reform needed for the country. However, many state Governments are not in favour of this move, as it will result in a fall in their tax revenues. Arriving at a suitable formula to solve this problem, making constitutional changes and considering all the dynamics in the economy has resulted in a considerable delay in GST's implementation. The CRISIL report states that at best, only a partial rollout of GST will be possible by the Government in the next financial year. The majority win by the ruling party in the recent elections has given a renewed hope that such important structural reforms will be brought into place without much delay. It is hoped fervently by the industry that Budget 2014 will spell out some solid measures and give a roadmap to the implementation of the GST.

INDIA's TAX REGIME

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. Cascading tax revenues have differential impacts on firms in the economy with relatively high burden on those not getting full offsets. This analysis can be extended to international competitiveness of the adversely affected sectors of production in the economy. Such domestic and international factors lead to inefficient allocation of productive resources in the economy. This results in loss of income and welfare of the affected economy. For a developing economy like India it is desirable to become more competitive and efficient in its resource usage.

Apart from various other policy instruments, India must pursue taxation policies that would maximise its economic efficiency and minimise distortions and impediments to efficient allocation of resources, specialisation, capital formation and international trade. With regard to the issue of equity it is desirable to rely on horizontal equity rather than vertical equity. While vertical equity is based on high marginal rates of taxation, both in direct and indirect taxes, horizontal equity relies on simple and transparent broad-based taxes with low variance across the tax rates. Traditionally India's tax regime relied heavily on indirect taxes including customs and excise. Revenue from indirect taxes was the major source of tax revenue till tax reforms were undertaken during nineties. The major argument put forth for heavy reliance on indirect taxes was that the India's majority of population was poor and thus widening base of direct taxes had inherent limitations. Another argument for reliance on indirect taxes was that agricultural income was not subjected to central income tax and there were administrative difficulties involved in collecting taxes.

TAXES TO BE SUBSUMED IN PROPOSED GST

TABLE 1

Taxes levied by Central government which would be subsumed in CGST	Taxes levied by State government which would be subsumed in SGST
Central Excise duty	Vat/Sales Tax
Excise duty levied under the Medicinal and Toiletries Preparation Act	Entertainment Tax
Service tax	Luxury Tax
Surcharges	Taxes on lottery,gambling
Cesses	State cesses and surcharges relate to supply of goods and services
-	Entry tax

Source: *MoF Get the data*

LEGISLATIVE INITIATIVES FROM THE GOVERNMENT

Based on the federal character of Indian government, fiscal powers are also equitably distributed between Central government and State governments. As per the current scheme of Constitution of India, 1949, only Central government has been empowered to levy duties on manufacturing of goods and taxes on supply of services. Therefore, in order to introduce a national GST in India a Constitutional amendment empowering the states to levy and collect taxes would be a prerequisite. Therefore, to address these issues and give concurrent taxing powers to both the Union and States, the Government introduced Constitution (115th Amendment) Bill, 2011 (GST Bill) in the Lower House of Parliament on 22 March 2011 seeking to amend the Constitution of India, 1949 for the introduction of GST in India based on the model proposed by the Empowered Committee. The said Bill was referred to the Parliamentary Standing Committee on Finance on 29 March 2011 for detailed examination and the Standing Committee tabled its report before Parliament on August 2013. However, the said Bill lapsed with the dissolution of Amendment Bill, 2014 and got approval from the Union Cabinet to be presented before the Lower House of Parliament on 19 December 2014. The Lower House accord it's approved to the GST Bill on May 6, 2015 which was then referred to a Select Committee of the Upper House (Select Committee) for examination. The Select Committee after accepting most of the clauses in the GST Bill submitted its Report to the Upper House on July 22, as per recommendations of the Select Committee on 29 July 2015 and the GST Bill was placed for discussion before the Upper House on 10 August 2015. However, the Upper House was adjourned sine die on the last day of the monsoon session (13 August 2015) without any business being conducted.

GST AND ITS IMPACT ON INDIA's GROWTH

The goods and services tax (GST) is projected at creating a single, unified market that will benefit both corporate and the economy. It is an indirect tax that will lead to the abolition of all other taxes such as Octroi, central sales tax, state-level sales tax, excise duty, service tax, and value-added tax (VAT). Both the state and the central governments will impose GST on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will simplify India's tax structure, broaden the tax base, and create a common market across states. This will lead to increased compliance and increase India's tax-to-gross domestic product ratio. According to a report by the National Council of Applied Economic Research, GST is expected to increase economic growth by between 0.9 per cent and 1.7 per cent. Exports are expected to increase by between 3.2 per cent and 6.3 percent, while imports will likely raise 2.4-4.7 per cent.

Kelkar (2009) addressed the FICCI National Executive body and he was stated that a well-designed GST can boost GDP growth by 2 per cent, For GST to be successful, all states and the Centre should implement it in a similar fashion. Only then will it bring about the national common market. The GST will perhaps be the single most important reform stimulus since 1991-92. A flawless GST and the New Direct Taxes Code will put India's fiscal system on the cutting edge of the world market economies. Even a 2% reduction in costs increases profits by over 20%. This will attract investments. As tax cascading disappears, the industry will move to the lagging regions because of lower costs and thus bring these into the growth dynamics.

The ratio of indirect taxes to GDP in India increased from 3.99 per cent in 1950-51 12.7 per cent in 2008-09. However, it has fallen to 4.4 per cent in 2011-12. Export of goods and services as a percentage of gdp for India increased from 22 per cent in 2010 to 25.2 per cent in 2013. Implementation of GST which is zero-rated will result in increase of exports thereby further adding to exports. The revenue neutral GST rate of 10 per cent against the proposed GST rate of 25-27 per cent will further add to the tax receipts. Exports which grew at 13 per cent CAGR during 2010 and 2013 is expected to increase at around 6-8 per cent due to implementation of GST thereby further adding to GDP. Lastly, the GST will result in efficient allocation of factors of production (land and capital) thus resulting in overall price going down. Thus the real return to factors of production will go up. Finally, GST is expected, ceteris paribus, to increase India's GDP by 1 to 1.8 per cent. The additional gain would be earned during years in future over and above the GDP growth achieved otherwise.

IMPACT OF GST ON MAKE-IN-INDIA

The 'Make in India' campaign is proposing to make India a world-class manufacturing hub. The tax reforms through GST will play a crucial role to attract large scale investment. The impending Goods and Service Tax (GST) promises a progressive tax system which avoids tax cascades and helps establish India as a true common market. GST will reduce the cost of production and allows the hassle free supply of goods. This can increase the ease of doing business India.

CONCLUSION

To conclude, though the positive impacts referred above are dependent on a neutral, rational design and commitment of the GST, balancing the conflicting interests of various stakeholders, full political commitment for a fundamental tax reform with a constitutional amendment, the switchover to a 'flawless' GST would be drastically change in the India's taxation system and also give a new impetus to India's growth. It is also noted that, World over, GST has been implemented in over 150 countries have introduced GST in some form to other and is fast becoming the preferred form of indirect tax.

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CAN COMPATIBLE FINANCIAL MARKETS STRENGTHEN THE STRATEGIC BILATERAL PARTNERSHIP AMONG COUNTRIES? - A CASE STUDY OF INDIA AND SAUDI ARABIA

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ABSTRACT
The recent sovereign moves to strengthen bilateral ties between India and Saudi Arabia has paved way to enhance Foreign Direct Investments FDIs and mutual trade. In spite of long history of trade relations, the countries are yet to achieve the optimum success from their bilateral relationship. This paper looks into the recent economic atmosphere in these two nations to evaluate the financial markets. It aims to test the mutual compatibility of these countries for future collaborated integration and strategic strengthening of the existing bilateral relationship. The recent happenings and events in the market related to these two countries are compared with the economic, demographic, socio, cultural comparison of facts from the World Bank and other authentic data providers. This paper analyzed the daily index from Tadawul for Saudi Arabia and BSE SENSEX for India from May 2010 to December 2014 using descriptive statistics and graphical analysis.

KEYWORDS
bilateral partnership, strategic bilateral partnership, bilateral compatibility, comparative advantage, financial market compatibility.

INTRODUCTION
In the global village that the economies have turned into, it make sense to explore regional integration rather than facing the force of global competition alone. World has increasingly observed that multilateral agreements seldom work to the advantage of all member countries. Thus, bilateral agreements could be a catalyst of true economic development when combined with strategic sovereign involvement. Two countries having complementary competitive advantage would make them compatible and this should pave the way for a strategic bilateral partnership between them. The purpose for such a relationship would be to maximize trade opportunities between the countries and to enhance the bilateral strategic development, which might not otherwise be possible.

Economists recommend countries with similar economic and political potential to cooperate with each other on defining the absolute, comparative or competitive advantages. (Hasmik.H, Heghine. M, 2014). The potential for trade and economic development is established on the ground of economic outlook and potentials of these economies to be compatible. This means that the two countries need to be compatible in terms of socio-political, geo-cultural and economic factors. For example, the products or services demanded in one country should be abundant in the other and vice versa. In addition, the political, legal and economic condition should complement each other and be favourable to enhance the bilateral relationship.

REVIEW OF LITERATURE
There has been a significant difference in the performance of countries and their trade and relationships in recent years. The structural rigidity of yester-decades has now faded into flexible crusade of new relationships and agreements between countries. India has realized the need for financial intermediation and a balanced diversification in the financial market.

Chalapati Rao K.S. (n.d.), proposes the need for India to restructure its financial system in the aftermath of the global financial crises, this paper calls for considering the specific characteristics of the Indian economy and markets in finding the best solution to break away from mediocre performance towards extraordinary successes seen in other countries. In this regard Chalapathi warns that the evolving system in India is quite different from that of the world so it would not help to blindly follow the models and policies from other countries. This definitely calls for studying the specific needs of India and searching out for partners who could mutually benefit with our growth and development.

In a study of country compatibility between India and ASEAN countries, Sarath Chandran B.P, (2011), explored 16 industries with the revealed comparative advantage method to test the compatibilities between these countries and found specific areas, which are of comparative advantage to each of these countries. His findings were inferred from the trade indices computed for understanding the trade structure between India and ASEAN. The complementary sectors and products were identified which could enhance trade cooperation between India and specific ASEAN countries which are in different stages of economic development. Thus, the study takes the traditional approach on comparative analysis to demonstrate the value of compatibility in planning bilateral relationships and resulting development plans.

Considering free foreign trade as the fourth economic factor of economic growth, Hasmik H and Heghine, (2014), propagate that for a developing country global competition and multilateral trade relationships may not be the best options so should prefer regionalization or bilateral relationships for strategic growth. The paper provides specific recommendations to South Caucasian governments and instigates that the emphasis on free trade could be a good solution between two or few countries rather than at a larger level. For mutually beneficial and meaningful partnerships, the countries should have bilateral cooperation with compatible countries.

Simeon D, Caralee M, Rita R, (2006) studied the doing business factsheet published by 135 countries to establish a positive relationship between the growth rate of a country with good regulations. They suggest that countries should put prioritize reforms in business regulation and careful planning of growth policies. The indication is that government policies and decisions would go a long way in identifying the right combination of growth and direction. The strategic partnership with like-minded and compatible countries would aid in faster mutual development and growth.

NEED/IMPORTANCE OF THE STUDY
World Bank, 2014, in its Global Economic Prospects projects that the Middle East and North Africa, and in South Asia would be among the fastest growing economies in the near future. From South Asia, the focus is on India as reforms are being considered to ease supply side constraints, especially in energy and infrastructure. Though for the Middle East the projected growth rate is slower than for India, the direction of Indian growth in energy and infrastructure seems compatible with the existing strength of Saudi Arabia in this industry.

Stephen J. Brown, Jerold B. Warner (1985), test the daily return pattern and they confirm that the empirical event study procedures is more powerful than monthly data. Following this and various other studies that used actual daily data for empirical studies, this paper also considers daily indices for the study period from the two countries.
Various scholars at different level and area of clarification have studied bilateral compatibility. There are many studies undertaken to investigate the possible compatibility of countries for mutual strategic partnership. Yet no study was found in the area of checking the compatibility of two countries from the perspective of financial markets, which this paper pursues.

STATEMENT OF THE PROBLEM
Studies on Bilateral compatibility between countries are not a new area in economics. There have been several studies in the area of free trade agreements, regional integration, international economic comparison and ascertaining the feasibility of bilateral agreement. However, there is hardly any study in the area of testing the compatibility of two countries by gauging the financial market conditions. Financial market compatibility is important in today's economic conditions where financial markets are the indicators of economic growth and development. This paper thus compares the two countries at various levels of comparison to test their mutual compatibility.

OBJECTIVES
The specific objectives of this paper are to conduct:
1. **Comparative study of India and Saudi Arabia to test their mutual compatibility.**
This entails a systematic comparison of general socio-political, cultural, geographical and legal aspects of these countries followed by demographic, economic, trade and developmental outlook of these nations.
2. **Evaluation of the financial markets of India and Saudi Arabia for mutual compatibility.**
This involves systematic study of the financial markets with regard to the general overview, the performance in terms of closing price, volume of trade and the percentage of return in these markets.

HYPOTHESIS (ES)
There were three pairs of hypothesis tested for this study as laid down:
Null Hypothesis
$H_0$1"There is no significant difference in the mean closing price of BSE SENSEX and TASI"
$H_0$2: 'There is no significant difference in the mean daily volume of trade of BSE SENSEX and TASI'
$H_0$3: 'There is no significant difference in the mean daily returns of BSE SENSEX and TASI'

RESEARCH METHODOLOGY
The paper poses a positivist epistemological stance. This implies that the study aims to discover the real situation regarding the circumstance under investigation with quantitative empirical methods (Easterby-Smith, Thorpe and Jackson, 2012). The data utilised is factual collected from reliable data set providers including the actual daily financial data collected from the sources and treated for comparability.
Scope of the Study
The scope of the study covers the identified areas of comparison based on the fact sheet data and daily indices of Saudi Arabia and India. The financial market study was conducted from May 2010 to December 2014.
Sources of Data
All the fact figures and data were taken from authentic sources like; Reserve Bank of India Data and Statistics, World Bank Dataset, International Fund IMF, Tadawul - Saudi Arabian Stock Market. Saudi Arabian General Investment Authority, Capital Market Authority, Central Information Commission - India, The Indian Government, Bombay Stock Exchange and the embassy websites of India and Saudi Arabia.
Study Period
The most recent data was collected from the sources in the form of data. For the financial data, daily stock market data was collected from their respective sources. The study period is from 17 May 2010 to December 4 2014. Since the first day of operation for Tadawul was 17 May 2010, matching period data was collected for BSE SENSEX.
Tools used for data collection and analysis
Direct download of fact sheets information and the daily indices of these countries was used as a means of data collection; MS Excel is used for basic data collection, tabulation and analysis. There was logical evaluation and analysis of the data collected for these countries relating to the economic, demographic, socio, cultural facts. The daily index from Tadawul for Saudi Arabia and BSE SENSEX for India from May 2010 to December 2014 was analyzed using descriptive statistics, ANOVA and graphical analysis.
Limitations of the study
The study is limited to the two countries India and Saudi Arabia with an intention to test their propensity for a fruitful bilateral partnership. The data used for the empirical study though taken from authentic sources were analyzed using simple descriptive statistics, graphical analysis and single factor ANOVA analysis has been used to logically put together the findings and analysis.

RESULTS & DISCUSSION
INDIA - SAUDI ARABIA GENERAL COMPARISON
India is the largest democracy with the second highest population in the world. It contributes 6.8 % to the world GDP but falls in 126 rank in terms of GDP per capita. India has second largest agriculture sector after China (IMF Database, 2014). India's economy has developed quickly in the last decade, improving living standards and experiencing strong growth and challenges due to prolonged external slowdown and domestic constraints such as high inflationary pressures and rising fiscal and current account deficits. On the positive industrial output, India expanded at a 3.5 percent annualized pace in 2014 after a 4.8 percent contraction in 2013Q4. India's growth is projected to accelerate to 6.3 percent in FY2015-16 and 6.6 percent in FY2016- 17. (World Bank, 2014).
Saudi Arabia has rich natural oil resources and one of the few such countries, which are exception to the paradox of plenty, with a well-regulated government sector, which has managed the economic, and natural resources well to date. In terms of population, it is only about a tenth of India's population and its national GDP. Being one of the world's Top 20 most competitive economies makes Saudi Arabia the perfect investment opportunity. Saudi Arabia is ranked fifth in the world for "fiscal freedom" and it is the third most rewarding tax system in the world. It is one of the world's 20 largest economies (19th) and the largest economy in the MENA region. Saudi Arabia is considered one of the world's fastest growing countries. Economic growth was 6.8% in 2012. It is the world's fastest reforming business climate. It is the largest free market in the MENA representing 25% of total Arab GDP. It has 25% of world's oil reserves. Saudi ranks 22 out of 185 countries for the overall ease of doing business globally. First for ease of registering property and it's the largest recipient of Foreign Direct Investment in the Arab world. (IMF Database and World Bank Data)
India has a healthy bilateral relationship with Saudi Arabia since time immemorial. In the medieval times when India was the center for all raw materials, spices and precious metals, Arabs were the monopoly traders in spices to link Indian goods with the rest of the commercial world. This continued until the colonial rule distorted this arrangement. Over the years, these two countries maintained good trade relations. Since the year, 2000 there have been deliberations and positive actions from both countries, which provided a surge in the relationships. Would these deliberations lead to strategic bilateral partnership would depend on how

compatible these two countries are in the areas that matter. It is logical to have an overall comparison before delving into testing the financial market compatibility between these countries.

India and Saudi Arabia are very different from each other in many ways. In fact, there may be more differences than similarities between these countries according to the social, political, cultural or legal system. The following table demonstrates the myriad of differences the two selected countries demonstrate.

DEMOGRAPHIC COMPARISON

There seems to be some compatibility in the demographics than in the general area. The size of population and density is at the opposite end, which means there is scope for integration and scope for improved trade relations, which is as evidence from the movement of work force from India to Saudi since several decades. The median age is same which means the human capital is compatible with each other. Both the countries have young population, which is ambitious and energetic, which could lead to fruitful collaboration and compatibility in building strategic partnerships between the two nations.

TABLE 1

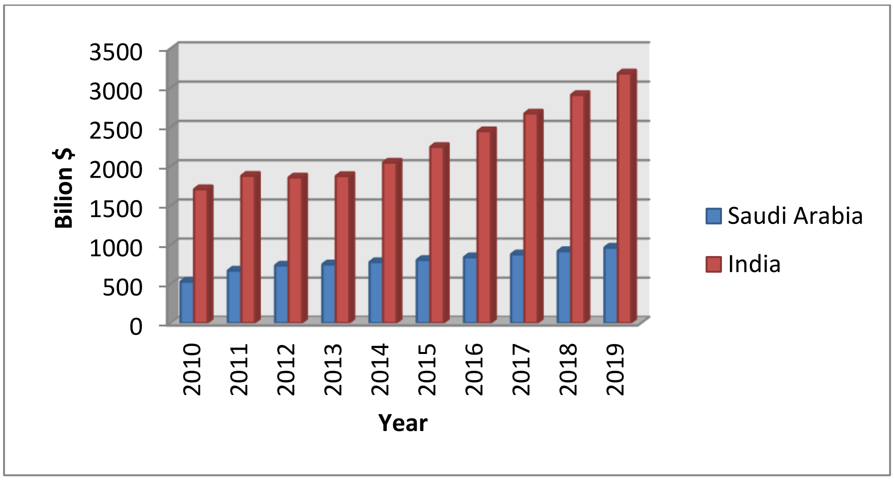
Demographic Comparison		
	India	**Saudi Arabia**
Population	1,236,344,631	27,345,986
Population density	371 per sq km	12 per sq km
Urban Population	31%	63%
Median age	26.7	26.7
Sex ratio	1.08 males per female	1.21 males per female

Data sources: World Bank. 2013. *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group. DOI: 10.1596/978-0-8213-9615-5. License: Creative Commons Attribution CC BY 3.0

ECONOMIC COMPARISON

While comparing the two countries from the economic perspective, it is interesting to note that in terms of absolute GDP India ranks 4th only after, United States of America, The European Union and China. However, per capital GDP is another story for India. Whereas for Saudi, in terms of GDP the amount is not very bright, but in terms of per capita GDP Saudi ranks 7th in the world. Thus, the statement India is a rich country with poor people whereas Saudi is a not so rich country with rich people. This could mean good compatibility between the two nations where Saudi investment in Indian business or Saudi Business with Indian talents could mutually benefit both nations by enabling diversified investments and utilization of idle resources. To bring about more investment from the vast Indian GDP, Saudi markets could encourage FDIs from India, which is already in process as currently the Capital Market Authority of Saudi Arabia is opening up Saudi market for FDIs and India is looking to advance its foreign investment in Saudi Arabia.

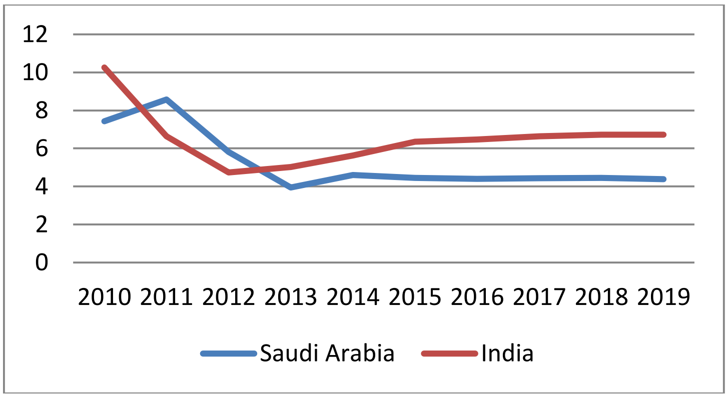
CHART 1: COMPARISON OF GDP OF INDIA AND SAUDI ARABIA



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Also comparing the changes in the GDP it is found that the changes in both countries are positively correlated. The calculated correlation for the percentage change is 0.468951. Therefore, it would mean that the movements in the GDP are positive. The efforts at improving the GDP of one country should lead to an increase in the other.

CHART 2: PERCENTAGE CHANGE IN GDP OF INDIA AND SAUDI ARABIA



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

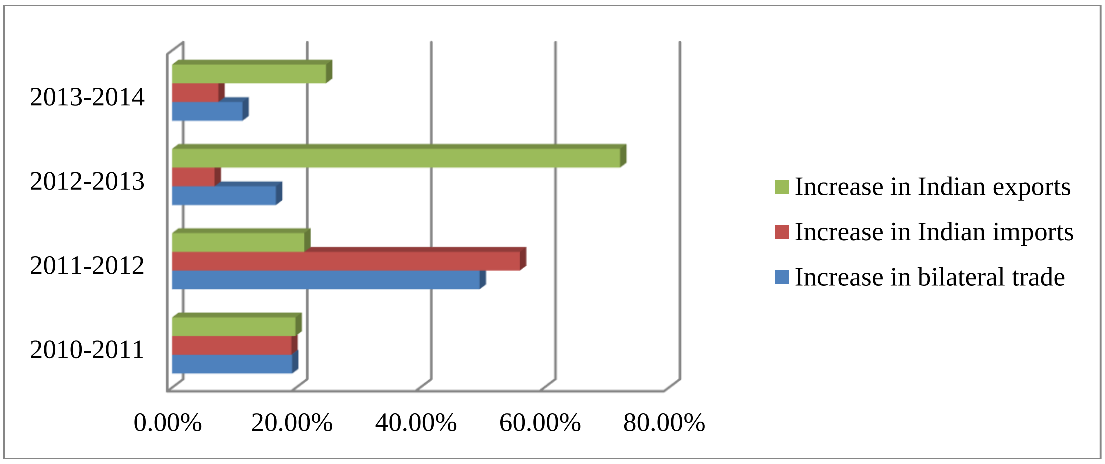
TRADE AND COMMERCE

Saudi Arabia is largest supplier of crude oil for India; it amounts to 17 % of our requirements besides accounting for 6.35% of India's global imports. In addition, Saudi Arabia is one of the major markets in the world for Indian exports. It amounts to more than 1.86 percent of India's global exports. Thus, Saudi is the fourth largest trading partner for India.

For Saudi Arabia, India is the fifth largest market for its exports. India ranks seventh largest buyer and is source of around 3.46% of Saudi Arabia's total imports.

The total worth of bilateral trade in 2010-11 between these countries was $25.07 million, which steadily grew to $48.75 million in the year 2013-14. The trade relationship between the two countries is currently blossoming. India's imports from Saudi Arabia has been $20.39 million in 2010 which grew to about $36.53 in 2014 and the Exports to Saudi Arabia has increased tremendously from a mere $4.68 million in 2010 to $12.21 million. An analysis of the annual changes in the bilateral trade follows.

CHART 3: BILATERAL TRADE BETWEEN INDIA AND SAUDI ARABIA



Data Sources: Department of Commerce & Industry, GOI; www.dgft.gov.in and Central Department of Statistics & Information, Ministry of Economy and Planning, Kingdom of Saudi Arabia, 2013)

There has been an unprecedented 72% surge in the Indian export during 2012-13 and there has been a constant rise in the total value of the trade through many years now.

It is easy to see these two complementary nations are exploiting the development opportunities together. Both countries can benefit from the flow of human and financial capital, exploiting the natural resources and the competitive advantage that each of these countries have in different sectors. In this regard, the economic and monetary policies should consider the impact of changes in money supply, interest rates and ensure economic stability to negate the ill effects of high inflation rates. (Rufin-Willy Mantsie, 2012).

DEVELOPMENTAL OUTLOOK

The Development policy of India is to achieve faster, more inclusive and sustainable growth, which it plans to achieve by Improve teaching and national assessment systems to raise education standards. India and Saudi Arabia are looking out for foreign investments and diversification. The respective governments are positive about the future development and growth in all sectors. It is interesting to note that framework of cooperation in the form of joint commission meetings, India-Saudi Business Council and regular meetings are part of supportive programs.

Saudi Arabia has issued hundreds of licenses to Indian companies for joint ventures and full ownership firms in the areas of designing, consultancy, financial services and software development. India has already taken actions to improve foreign investments and specifically invited Saudi Arabia to collaborate several big projects in India. Saudi Arabia will soon be opened to FDIs, which could be a new vista for mutual trade, and business related interaction between these two countries.

Thus, the developmental outlook in these two countries look complementary. Indian businesses have been substantially investing in Saudi Arabia for years and the recent multibillion-dollar real investments from Saudi Giant companies like SABIC and Alzamil are proofs of this partnership having further potentials.

FINANCIAL MARKET - THE FIFTH SECTOR

Agriculture, manufacturing, trading/ merchandising and services were the four major sectors of an economy. Financial markets has evolved as the fifth important sector especially after the globalization phenomenon. The financial markets are considered as indicators of economic growth. Financial market provide leading as well as lagging indicators in the form of stock market indexes, asset price, market capitalization etc, which can gauge the pulse of any country and its potential development.

The economic, demographic, geographical, political and cultural differences do create an illusion that the two are incompatible for any meaningful long-term relationships. Yet the similarity in trade, commercial, financial and developmental outlook of these countries appear promising and calls for further exploration. The author attempts to make sense of the financial facts of these countries to accomplish a critical evaluation of this vision.

FINANCIAL MARKET OVERVIEW

SAUDI ARABIAN STOCK MARKET

Though joint stock companies were vogue in Saudi Arabia since 1930's, there were only 15 public companies until 1975. Since 1975 with rapid economic expansion, a number of large corporations and joint stock banks were established. It was only in 1984 that a formal regulated market under a Ministerial Committee composed of the Ministry of Finance and National Economy, Ministry of Commerce and Saudi Arabian Monetary Agency (SAMA) was formed. SAMA was the governing body regulating and monitoring market activities until the Capital Market Authority (CMA) was established in July 2003 under the Capital Market Law. At present CMA is the sole regulator and supervisor of the capital market, it issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

Tadawul is the only stock exchange in Saudi Arabia. There are 163 companies listed and trading in Tadawul, though many of the companies do not trade regularly, the volume of trade generated each day is impressive. Tadawul lists and trades equities of these listed companies as well as Sukuk and bonds, exchange traded funds and Mutual funds in the open market. Tadawul has a fully automated modern online trading system.

The Tadawul All Share Index (TASI) is a major stock market index, which tracks the performance of all companies listed on the Saudi Stock Exchange. The index has a base value of 1000 as of 1985 and it was reorganized on June 30, 2008. At present, the Tadawul All Stock Index (TASI) is trading at 8,525. It had reached a highest of 20634.86 Index points in February of 2006 and a record low of 1140.57 Index points in May of 1995.

INDIAN STOCK MARKET

Indian stock market is one of the oldest markets in Asia. Historically stocks were traded in the 18th century and during 1830s, there was proper trading in corporate shares and bank stocks. Indian stock market is ruled by two major stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994. However, both exchanges follow the same trading mechanism, trading hours, settlement process. BSE had about 5,537 stocks listed and of them 4,242 are eligible for trading. For NSE, there are about 1,635 companies listed, most of the companies listed on BSE are also listed on NSE. While the BSE ranks 11th largest stock exchange in terms of market capitalization, NSE is the 12th largest. There are 22 other smaller stock exchanges in India that trade locally, which are not as impactful as NSE and BSE.

The BSE SENSEX is one of the main indices of the BSE and the NIFTY is the index for NSE. Currently SENSEX is trading at 27,371.84 index points and the NIFTY is at 8,225.20.

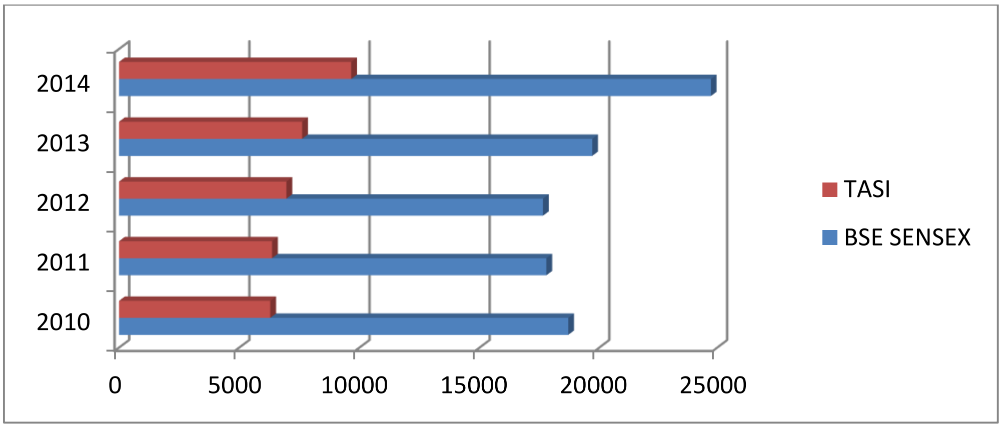
FINDINGS

For evaluating the compatibility between Saudi Arabia and India, a comparison between BSE SENSEX to represent the stock market indicator for India and TASI for Saudi Arabia is considered. The historic daily index for both these stock markets were collected from May17 2010 (First day of trading for TASI) until Dec 4 2014. The closing price and the volume of trade were considered for both these indices for the period. Total number of data available was 1130 for BSE SENSEX and 1153 for TASI. To normalize the data for comparison, monthly averages were calculated and these averages, thus there were 56 monthly average figures available for each one of these variables.

In addition, daily returns were calculated by using the HPR formula for daily closing prices. Previous day closing minus current day closing divided by previous day closing was considered as a return for each day. This was also converted into monthly average.

The following observations were derived from the collected data. The average closing Index for SENSEX has been higher than TASI throughout the study period. However, it is interesting to note the movement of both the closing were synchronized in aggregate.

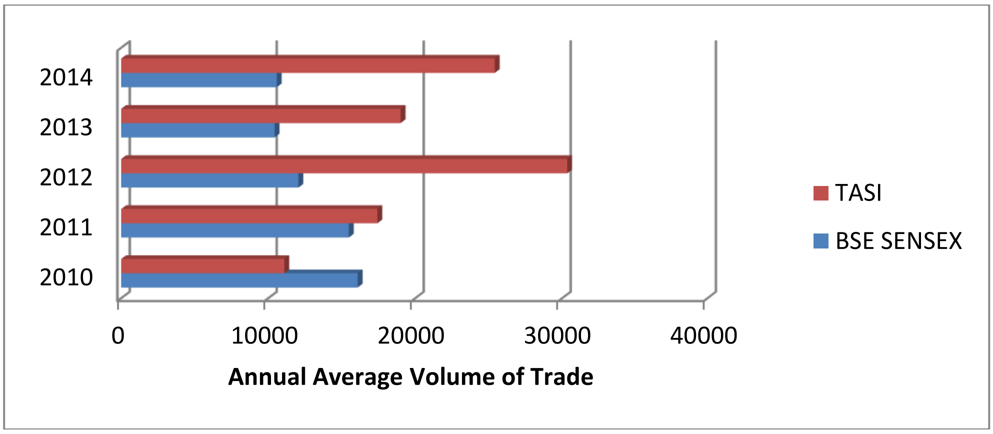
CHART 4: ANNUAL AVERAGE CLOSING INDEX OF TASI AND SENSEX



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Volume of trade painted a different picture about these stock markets; TASI had a higher volume of trade as compared to SENSEX. In addition, there is not much correlation in the movement of volumes in these two indices. The calculated correlation was 0.0129. This could indicate that the factors governing the stock market activities are dissimilar between these stock market, so arbitraging opportunities could exist this helps the liquidity in the market by encouraging investors' movement in and out of the market.

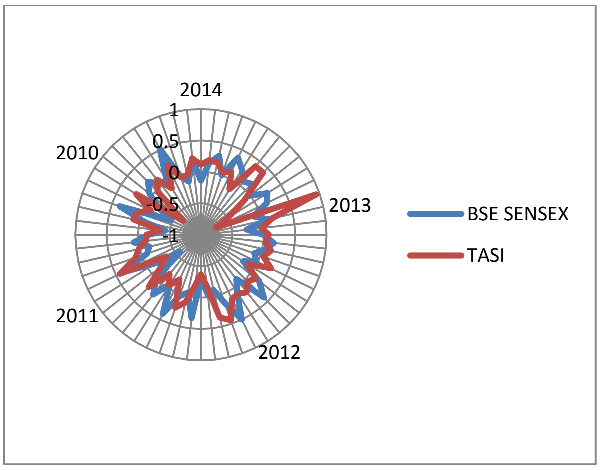
CHART 5: ANNUAL AVERAGE VOLUME OF TRADE OF TASI AND SENSEX



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

In comparing the volatility of the market returns, the calculated returns in the two market was plotted on a radar chart. As indicated below it was observed that the returns on TASI were more volatile than the return in the BSE index. The calculated corelation of the return between the two index was 0.1479 which again indicates small correlation. This justifies the analysis made with regard to the compatibility of the two markets for the flow of funds between them.

CHART 6: VOLATILITY IN THE TASI RETURNS AS COMPARED TO BSE SENSEX



Data source: International Monetary Fund, World Economic Outlook Database, October 2014

The sharp movements in the TASI indicates higher level of risk in the Saudi stock market. It is interesting to note that that the descriptive statistics gives an entirely vivid picture of anomaly demonstrated by TASI performance as compared to SENSEX.

RESULTS OF DESCRIPTIVE STATISTICS FOR THE DAILY RETURNS OF BSE SENSEX AND TASI DURING THE STUDY PERIOD

TABLE 2: DESCRIPTIVE STATISTICS FOR THE DAILY RETURNS OF BSE SENSEX AND TASI FOR THE STUDY PERIOD

	Daily Return		Daily Volume	
	BSE	***TASI***	***BSE***	***TASI***
Mean	0.03993	0.02838	12708.0581	21343.50614
Standard Error	0.03117	0.03645	512.952861	1343.096515
Median	0.03107	0.06504	11620.1299	20018.90476
Standard Deviation	0.23326	0.27278	3838.58772	10050.814
Sample Variance	0.05441	0.07441	14734755.7	101018862
Kurtosis	0.17812	2.31336	-0.0440633	5.636584709
Skewness	-0.1752	-0.0389	0.83579063	1.915479737

Source: Data Collected from www.rbi.org.in, www.tadawul.com.sa, and Computed using Microsoft Excel Data Analysis tool

The mean return of SENSEX for the study period was 3.99% while that for TASI was only 2.84%. It would be expected that in such a situation the risk for the later would be lower as compared to the former. Nevertheless, the calculations indicate just the opposite, the standard deviation, which is a measure of risk for SENSEX was 23.33% while that for TASI was higher at 27.28%. The expectation of high-risk high return does not seem to work for TASI as compared to SENSEX. So broadly, it would mean that the funds would flow from Saudi Stock market to Indian stock market, if this is easily facilitated through strong bilateral partnership between these countries and investors from both the countries should gain.

ANOVA ANALYSIS

TABLE 3: ANOVA RESULTS FOR THE DAILY CLOSING INDEX OF TASI AND SENSEX

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	771133802	1	771133802	93.46751184	2.25991E-16	3.927393393
Within Groups	907531574.9	110	8250287.044			
Total	1678665377	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

Finally, one-way ANOVA was considered to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results to be is that noted at a 95% significance level, the p-value is 0.025119 (p = 2.25991E-16), which is below 0.05 indicating that the 'p' value is statistically significant and therefore the Ho1: 'There is no significant difference in the mean closing price of BSE SENSEX and TASI" is rejected.

TABLE 4: ANOVA RESULTS FOR THE DAILY VOLUME OF TASI AND SENSEX

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	12755219404	1	12755219404	252.5314411	2.94906E-30	3.927393393
Within Groups	5556037412	110	50509431.02			
Total	18311256816	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

One-way ANOVA was also generated for the trading volumes on these indices to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results at 95% significance level gives the p-value of 0.00294962 (p = 2.94906E-30), which is below 0.05 indicating that the 'p' value is statistically significant and therefore the Ho2: 'There is no significant difference in the mean daily volume of trade of BSE SENSEX and TASI' is rejected.

TABLE 5: ANOVA RESULTS FOR THE DAILY RETURNS ON THE CLOSING INDEX OF TASI AND SENSEX

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0.003736371	1	0.003736371	0.058008836	0.810119532	3.927393393
Within Groups	7.085141093	110	0.064410374			
Total	7.088877464	111				

Data source: International Monetary Fund, World Economic Outlook Database, October 2014

One-way ANOVA was generated for the daily returns calculated by using the holding period return formula on the daily closing indices to test the hypothesis whether there are significant differences between the mean groups of BSE SENSEX and TASI as reported in the above table. The results at 95% significance level gives the p-value of 0.810119532, which is above 0.05 indicating that the 'p' value is statistically insignificant and therefore the $H_0$3: 'There is no significant difference in the mean daily returns of BSE SENSEX and TASI' is accepted.

CONCLUSIONS AND RECOMMENDATIONS

Financial markets of these countries have different characteristics pertaining to the origin of the exchanges, the types of transactions, the investor and trader base, the securities traded, volume, close and returns. The diversities as evaluated in the foregoing section, does indicate the variations, which are strong indicator of compatibility of these markets for strategic partnerships. Following the findings from the above tests, it can be concluded that there are no significant difference in the return patterns of the two stock markets, while the differences is in the prices and volume. While India is, a highly liquid market that has balanced volatility in terms of prices and volume, the TASI is a still growing market that needs to stabilize its position. Integrating its financial market with a mature market like India, which ranks among top performing markets, would boost the stability of the Saudi economy, provide the much needed investment opportunities and the avenues to diversity the portfolio among Saudi Investors and policy makers. Migration of skilled experienced financial experts, movement of funds and opportunities for arbitrage, which could boost the market activity, is the need of the hour for both India and Saudi Arabian Capital markets. Saudi government's efforts to diversify and modernize the country's economy, Saudi Arabia's abounding financial resources on the other hand can be exploited in bolstering India's infrastructural development programs. India can benefit from such relationships and solve her deficiencies in the crucial petroleum upstream, midstream and downstream sector. Moreover, mutual strategic partnership in a variety of avenues like tackling piracy, confronting terrorism, preventing illegal arms, narcotics and human trafficking and collaboration in information technology, food processing, health care, biotechnology, automobile industry, space exploration and defence research and production can revolutionize the relationship between two rich Asian cultures.

A meaningful Saudi-India bilateral strategic partnership amicably followed by these countries would be a win-win proposition for both countries. The existing relationship between Saudi Arabia and India could form a firm foundation on which most-strategic bilateral partnership could be built. With a political understanding of the need for such bilateral partnerships and positive steps to achieve it could pave the way for development in the arena of financial growth, economic development, security, social, political, cultural and science and technology.

LIMITATIONS

The study is limited to the two countries India and Saudi Arabia with an intention to test their propensity for a fruitful bilateral partnership. The data used for the empirical study though taken from authentic sources were analyzed using simple descriptive statistics, graphical analysis and single factor ANOVA analysis has been used to logically put together the findings and analysis.

SCOPE FOR FURTHER RESEARCH

As a starting of point in the quest for signs of bilateral compatibility between these countries, the study has achieved its objectives. Yet there is a possibility to further this study to investigate the compatibilities in different sectors and industry. Elaborate study could be undertaken to empirically find those areas of comparative advantage that these countries have in relation to each other. Studies can also be conducted to explore the policy updates required to bring about a strategic bilateral partnership between these young and developing nations.

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RURAL DEVELOPMENT: INDIA's WEAPON FOR ECONOMIC GROWTH

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ABSTRACT
In recent times, Rural Development has gained worldwide attention especially among the developing economies of the world. In a country like India, where more than seventy percent of the population live in rural areas, rural development is a serious issue to be looked upon. The current strategy for development of Indian rural sector includes measures of poverty alleviation, wage programmes, self-employment opportunities, setting up of basic amenities etc. This article is an attempt to critically review the contribution of rural sector in the growth of Indian economy and analyse the role and contribution of the Government for Rural Development in India. An effort has been made here to look at the various dimensions of the Indian rural economy and how it is still the backbone of India that cannot be ignored.

KEYWORDS
rural development, sustainable development, self-employment, agro-based industries.

INTRODUCTION
Also known as countryside, rural areas have low density of population; agriculture being the primary source of livelihood. Planning Commission of India defines rural area as a town with maximum population of 15,000 having no municipal board.

Rural India is a major contributor to country's National Income with an indispensable contribution in agriculture, fishing, cottage industries, self-employment, services, construction etc. More than seventy percent of India's population live in rural areas and more than one third of the F.M.C.G. sales are accounted by this sector.

In the face of noteworthy advancement in industrial progress, Indian economy is still largely dependent on agro based activities. Agriculture is the source of livelihood for majority of the population living in rural areas. These families spend more than ninety percent of their earnings on rudimentary needs such as food, energy and basic health care. Significant chunk of the rural population who is unable to meet even these indispensable necessities fall under the classification of the poor.

Thus, in a largely agrarian economy like India, increase in the G.N.P. or per capita Income will not suffice. In order to raise the standard of living of the country as a whole, rural areas are to be kept under consideration. For improving the economic status of the population it is not enough to enhance the per capita GNP, but it is also necessary to ensure prosperity among the poor.

Advancement in industries and use of modern technology will generate help in development of urban sector of the economy but might result into a larger gap between urban and rural, rich and poor. Hence, in order to ensure a better quality of life and social justice, the issues of the poor need to be addressed. The following table shows the State wise proportion of Rural Population to Total Population percentage (2001 and 2011).

TABLE 1: STATE WISE PROPORTION OF RURAL POPULATION TO TOTAL POPULATION PERCENTAGE (2001 AND 2011)

States	2001	2011
Andhra Pradesh	72.7	66.6
Arunachal Pradesh	79.2	77.1
Assam	87.1	85.9
Bihar	89.5	88.7
Chhattisgarh	79.9	76.8
Delhi	6.8	2.5
Goa	50.2	37.8
Gujarat	62.6	57.4
Haryana	71.1	65.1
Himachal Pradesh	90.2	90.0
Jammu & Kashmir	75.2	72.6
Jharkhand	77.8	76.0
Karnataka	66.0	61.3
Kerala	74.0	52.3
Madhya Pradesh	73.5	72.4
Maharashtra	57.6	54.8
Manipur	73.4	67.5
Meghalaya	80.4	79.9
Mizoram	50.4	47.9
Nagaland	82.8	71.1
Odisha	85.0	83.3
Punjab	66.1	62.5
Rajasthan	76.6	75.1
Sikkim	88.9	74.8
Tamil Nadu	56.0	51.6
Tripura	82.9	73.8
Uttar Pradesh	79.2	77.7
Uttarakhand	74.3	69.8
West Bengal	72.0	68.1
All-India	**72.2**	**68.8**

OBJECTIVES

1. To review critically the contribution of rural sector in the growth of Indian economy.
2. To suggest measures to make the rural development process more effective.

CONTRIBUTION OF RURAL SECTOR TO INDIA'S ECONOMY

The rural landscape of India was largely agrarian till recent times but looking into the figures of contribution by the sector in industry and services the old traditional view has largely changed. According to the reports by National Council of Applied Economic Research, in the year 2014-2015, more than 58 percent of the rural G.D.P. is the result of the contribution of industry and services. While on the other hand agriculture contributes only around 42 percent of the rural G.D.P. Breaking this up specifically, industry contributes around 30 percent to the rural G.D.P. and the contribution of services to the same is around 28 percent.

The rural economy has transformed from an agrarian economy to one where manufacturing units are the major contributor to the sectoral income. According to the Central Statistical Organisation Economic Census, less than 20 percent of the non-farm rural workers are employed in the agricultural units while more than 80 percent work in non-agricultural units.

Rural economy is composed of a variety of economic activities. The major contributor to which is: Agriculture. Forest is another activity based on nature that is allied to agriculture. Village/Traditional industries that are mostly based on artisans also play an important role in the development of rural economy. Development of rural sector is indispensable for the development of Indian Economy.

AGRICULTURE

The contribution of agriculture to Indian Economy is prominent since ages. Though there is a significant fall in the figures from around 56 percent of the GDP in the year 1948 to around 18 percent in the year 2014, still the Indian Economy largely depends upon agriculture as it provides employment to a large percentage of total population.

The total production of agriculture sector was around $370 billion in 2014. India is second larger producer of agricultural output in the world. It accounts for more than 8 percent of total global agricultural products. India is among the top five producers in the world of fruits, wheat, sugar, coffee, tea, oilseeds, groundnuts, tobacco, jute, cotton, spices, rice and vegetables. India is the largest fruits producer and the second largest vegetable producer in the world.

DAIRY AND LIVE STOCK

Operation Flood was the largest Dairy Development Program launched in the year 1970. Implementation of this program was responsible to a large extent for rapid growth in the dairy production in India. India is the top-most dairy producer in the world with more than seventy million farmers engaged in dairy production resulting into more than ninety million tons of milk from animals. Though India leads in dairy production but the major share of the market is in the hands of unorganised players and the share of organised sector is very small.

Livestock also contributes to the GDP of India being a part of agriculture and allied activities. It is an important source of high quality food such as milk, poultry etc. A large proportion of the rural farmers are engaged in dairy and livestock activities, especially women. Livestock including cattle, buffaloes, sheep, poultry birds and goats play an important role in the socio-economic development of rural India.

FISHERIES

One of the important sectors of food production is Indian Fisheries and aquaculture engaging more than fifteen million people of the country. India produces more than six million tons of fisheries per annum. Since a large portion of the fisheries market is under the unorganised market, there is a vast potential to development of this sector.

ROLE OF GOVERNMENT IN RURAL DEVELOPMENT

PRADHAN MANTRI GRAM SADAK YOJNA

Launched in the year 2000, Pradhan Mantri Gram Sadak Yojna is a funded scheme sponsored by the Central Government to connect the Rural India through roads throughout the year. This scheme has helped in the development to the rural areas as it has constructed new roads in numerous villages of India and has improved the inter village connectivity. Introduced by the former Prime Minister Shri Atal Bihari Vajpayee the scheme aimed at providing connectivity to a number of villages of India. Later in the year 2005, Pradhan Mantri Gram Sadak Yojna became a part of scheme- Bharat Nirman.

INDIRA AWAAS YOJANA

Housing is one of the basic necessities of life. More than a mere shelter, a house gives a sense of security, ownership and psychological satisfaction. Indira Awaas Yojana is a public housing programme for the families who are houseless or those who a living in derelict houses. This programme gives financial as well as technical assistance and enables the poor or those living Below Poverty Line to get their houses. Panchayats of the villages also play an important role in planning and implementation of the Indira Awaas Yojana.

MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT-2005

Mahatma Gandhi National Rural Employment Guarantee Act is a programme that aims at guaranteeing the Right to Work. The objective of the scheme is to enhance employment security in rural areas by giving at least hundred days of wage employment in an accounting year to every family whose adult members agree to do unskilled manual work. MGNREGA also aims at construction of capital assets such as flyovers, roads, canals etc. Payment of minimum wages is guaranteed under this scheme and employment is provided within five kilometres of the worker's place of resident. This scheme also helps in reducing social inequality, empowerment of rural women, reduction in rural- urban migration, environment sustainability etc.

NATIONAL SOCIAL ASSISTANCE PROGRAMME

Administered by the Ministry of Rural Development, National Social Assistance Programme aims at raising the standard of living of the society, improving public health, providing free and compulsory education to children. National Social Assistance Programme, comprises of the following schemes:

- Indira Gandhi National Disability Pension Scheme (IGNDPS),
- Indira Gandhi National Old Age Pension Scheme (IGNOAPS),
- National Family Benefit Scheme (NFBS),
- Indira Gandhi National Widow Pension Scheme (IGNWPS) and
- Annapurna.

SUGGESTIONS TO MAKE THE RURAL DEVELOPMENT PROCESS MORE EFFECTIVE

ASSURED LIVELIHOOD

The primary aim of any Rural Development Programme is to bring the poor families out of the vicious circle of poverty. Various schemes adopted by the Government strive to provide employment to the rural population. The gestation period of various employment activities differs depending upon the nature of activity leaving the poor unemployed for certain number of months or years. Thus, the poverty alleviation programmes should be designed such that they enable the poor families to come out of the poverty trap. Integrated programmes should be introduced so that substantial income throughout the year could be earned.

RURAL FAMILY AS THE BASIC ELEMENT OF DEVELOPMENT

One of the ways of making the rural development programmes more effective is treating individual rural families a basic element development. The development programmes should identify the families that are in need of support in order to fulfil the basic necessities of their lives. Instead of considering village as an element of development, where the dominant section of the society rule over the poor, individual families should be considered as developmental elements. This will ultimately lead to lessen the wide gap between rich and poor.

INVOLVEMENT OF WOMEN

Women's key position in the process of Development can be recognised extensively. Women constitute to around 50 percent of the total population and works for two third of the total hours worked. Women Empowerment is necessary for the Integrated Rural Development as they play a major role in the upbringing of children as well as procurement of the basic necessities of life. The need of active involvement of women in development programmes has been pointed out even by recognised International bodies.

IMPROVEMENT IN QUALITY OF LIFE

Rural Development programmes should be focussed towards ensuring better quality of life. Livelihood programme should be blended with moral development activities, health care and education. The rural families should actively participate in community development, environmental protection, anti-alcohol and anti-gambling programmes etc. To ensure happy and stable society, along with adequate income, moral values play an essential role.

PROTECTION OF ENVIRONMENT

Rural Development programmes should be designed carefully to achieve the dual objective of development as well as environment protection. Protection of environment and conservation of natural resources should essentially be built in the various developmental strategies. Sustainable Development could only be achieved by keeping environment along with the other objectives. The primary aim of the rural households is earning livelihood and therefore it becomes indispensable to bring environment into one of the objectives of rural development.

CONCLUSION

Around 25 percent of the world's rural population lives in India. Though various schemes have been introduced by the Government to attain a sustainable livelihood, however, more than 50 percent of the rural population, who holds less than 5 percent of the total land, are unable to earn their linings. Therefore, it is essential to promote integrated development programmes with special attention on small and landless farmers. Water resource development, livestock management, improved agricultural activities, horticulture, agro based small industries etc. should be a part of rural development programmes. Rural development policy needs to keep up. Thus, different strategies for different enterprises could result into a sustainable rural development.

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AN EMPIRICAL ANALYSIS ON THE FINANCIAL LITERACY AND THE INVESTMENT PERSPECTIVE OF WORKING WOMEN

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ABSTRACT

Financial literacy is the ability to understand how money works in the world, how someone manages to earn or make it, how that person manages it, how he/she invests it and how that person donates it to help others. It refers to the set of skills and knowledge that follows an individual to make informal and effective decisions with all of their financial resources. Women are likely to take primary responsibility for children rearing, to make important and daily decisions about the allocation of household resources, and to have a major role in the transmission of financial habits and skills to their children. Hence, they need to have adequate financial skills not only for themselves, but also for future generations. Thus, this study," An empirical analysis on the financial literacy and the investment perspective of working women" is important in this present milieu to evaluate how women properly manage the financial resources and they are financial literate or not. This research paper tries to emphasis on the importance of financial literacy of working women. This study shows that the re-examination of a key component of financial literacy is necessary. This recommendation may indicate that women have different dispositions regarding how they use the financial resources, skills, and knowledge that they have obtained.

KEYWORDS

financial literacy, working women, financial behavior, resources.

1. INTRODUCTION

Financial literacy is mainly used in connection with personal financial matters. Financial literacy often demands the knowledge of proper decision making pertaining to certain individual financial areas. Both women and men should be financially literate to effectively participate in investment activities and to take efficient financial decisions for themselves, but women often have less knowledge regarding financial dealings and lower access to formal financial products than men. Women, therefore have specific financial literacy needs. Several socio-economic and demographic factors have an influence on the financial literacy of women in India. The study investigates the relationship between the dimensions of financial literacy and its impact on investment.

2. REVIEW OF LITERATURE

DEFINITION: THE RESERVE BANK OF INDIA

Financial literacy is defined by RBI as "Providing familiarity with and understanding of financial market products, especially rewards and risks, order to make informed choices. Viewed from this standpoint, financial education primarily relates to personal finance to enable individuals to take effective action to improve overall well-being and avoid distress in matters that are financial."

THE FINRA (FINANCIAL INDUSTRY REGULATORY AUTHORITY)

The FINRA Investor Education National Capability Studies states that the women who are illiterate are more found of credit cards rather than financially literate women.

Compare to men, women are more illiterate this gender gap creates a negative impact on the financial well being of women.

FINANCIAL LITERACY AND FINANCIAL EDUCATION SUMMIT

Financial Literacy and Financial Education Summits studies says that women throughout the world faces lots of problems because of financial illiteracy, whether they are entrepreneurs or working women, they are busy with their household duties. Governments, financial institutions, educators should pay more attention to and work together to make the women more literate for the growth of the country.

THE NATIONAL BUREAU OF ECONOMIC RESEARCH

The NBER study states that women are aware of their illiteracy and they know that this is the reason for their shortfall. But financial literacy is more important to plan a better retirement life.

BARRIERS TO ACQUIRE FINANCIAL KNOWLEDGE FOR WOMEN

- **Social and cultural:** In order for services or programs to be accessible to working women, they need to be provided in ways that are culturally appropriate, respectful of diverse social and cultural needs and respectful of women. The women recognized that poverty had multiple impacts on women's capacity to plan financially, other than for their immediate needs. Poverty is another reason for women to acquire financial knowledge because they cannot afford to get information from media. The domination of partner is also a reason to access financial services.

- **Physical barriers:** Women in rural and remote areas, public transport services were so infrequent that it often meant spending a whole day in the nearest town in order to do banking and other business.
- **Educational barriers:** Majority of the women are not educationally sound. They cannot read and write the information available in media or other information sources. Lack of higher education among women resulted in poor understanding of financial information. Lack of computer knowledge is a major reason to get information frequently. The poor knowledge and numerical ability are reasons to analyze financial information.
- **Financial barriers:** Women cannot independently take decisions on financial matters of family. They cannot afford financial education through paid institutions to get financial knowledge. Poverty of a family is also a reason to acquire financial literacy.

3. IMPORTANCE OF THE STUDY

The participation of women in the economy would not only intensify their own economic well being but would also raise the economic potential of the country, as India is a rapidly growing nation in the global economy. Most of the formal and informal sectors in the economy is being dominated by the women power and are emerging as a global force. Financial literacy among women has become an integral element despite of the income constituency. The financial rights and responsibilities, and their opportunities for income generation and the associated risks and costs involved need to be studied in detail in the present scenario. This is extremely vital for India as the financial and economic transformation is happening rapidly. Financial literacy among women plays a key role in this process, not only to stimulate greater involvement of women in the present economic context, but also to develop them for the future.

4. STATEMENT OF PROBLEM

Financial literacy is a pillar which triggers the demand side, making people informed of what they need. Hence, it is crucial to learn about cognizance of people in India towards investment perspective. Today, Women are facing increasing financial responsibility, simultaneously, the consumer financial world is advancing at an extraordinary pace. This drift makes an exigent demand for a better perception regarding the changing nature of gender-specific prejudice across our current socio-economic systems and examine the areas which are imperative in quicken the consolidation of these gaps. The results of the study indicate that the assumption can no longer be made that women simply need better financial knowledge in order to reach a certain level of financial behavior, without increased access to capital.

5. OBJECTIVES OF THE STUDY

1. To evaluate the level of financial literacy among women in Kerala.
2. To ascertain the literacy level of working women on a global financial and economic matters.
3. To examine the financial behavior of the working women.
4. To know the level of financial independence among working women.
5. To suggest methods to solve the issues faced by working women in relation to financial literacy.

6. RESEARCH METHODOLOGY

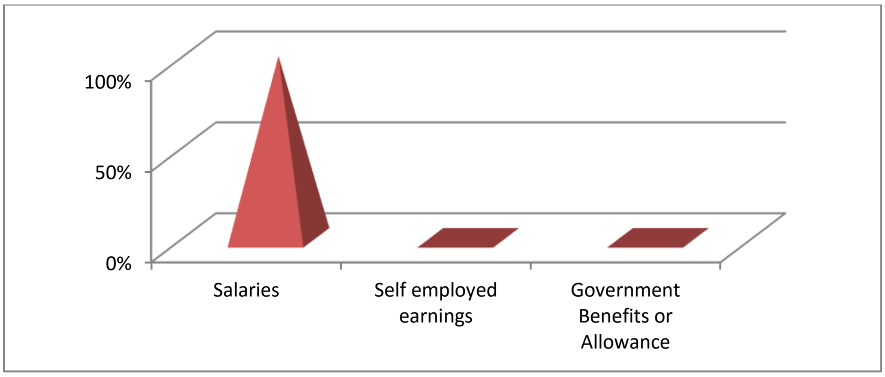
A structured questionnaire was designed to elicit the opinion of respondents. This was distributed among 110 working women selected as per convenience sampling technique. The population under study was Cochin city, Kerala. Secondary data was collected from sources such as journals, magazines, and other internet websites. Percentages and averages were used for the analysis of collected data. The data is analysed and interpreted with the help of statistical tools such as tables, graphs and pie charts. Convenient sampling method was used for data collection.

7. LIMITATIONS

1. The paper emphasises only working women in Ernakulam.
2. It prioritizes only on the financial literacy of women and does not focus on the investment attitude financial strength.

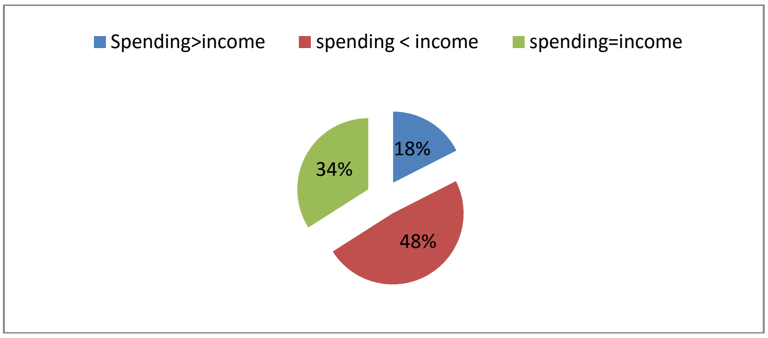
8. RESULTS AND DISCUSSION

FIGURE 8.1: SHOWING MAIN SOURCE OF INCOME



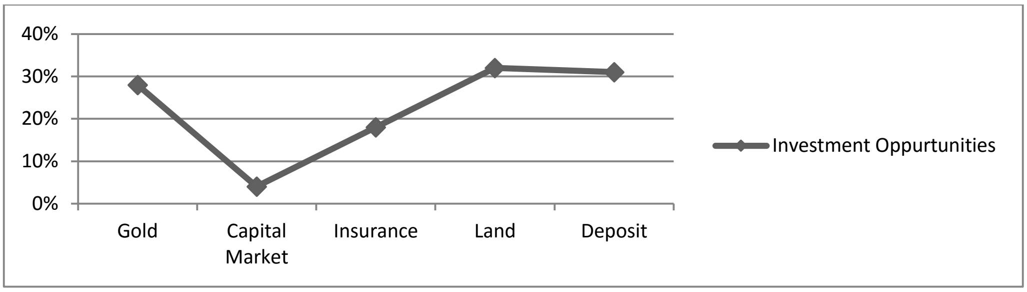
Source: Primary Data

FIGURE 8.2: SHOWING THE SPENDING HABIT OF WOMEN



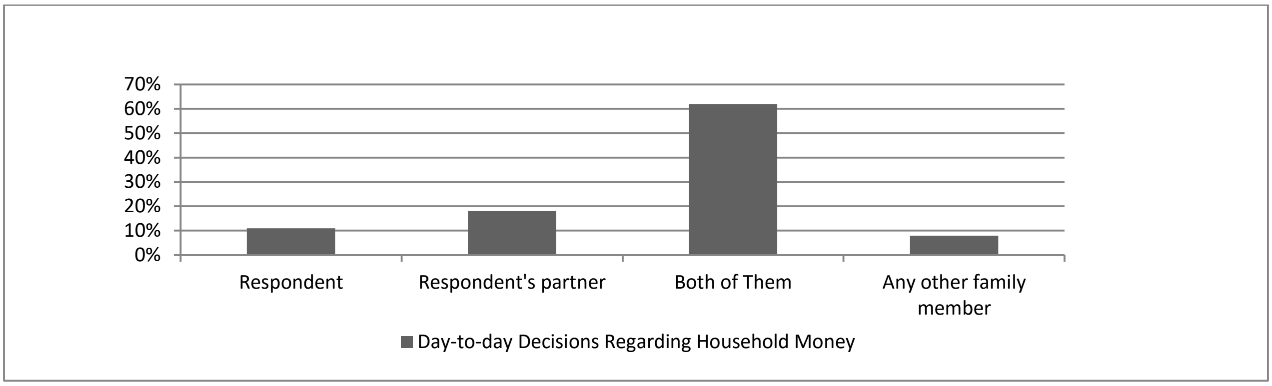
Source: Primary Data

FIGURE 8.3: SHOWING THE PREFERENCE OF WORKING WOMEN FOR INVESTMENT OPPORTUNITIES



Source: Primary Data

FIGURE 8.4: SHOWING THE DAY-TO-DAY DECISIONS ABOUT THE MONEY IN YOUR HOUSE HOLD



Source: Primary Data

9. FINDINGS

- Most of the respondents belong to the age group 20-35 and a majority of respondents are married and manage their earnings. This shows that there is a high degree of financial independence among working women.
- Majority of the respondents earns income ranging from Rs 10000 to Rs 20000.
- More than half of the respondents have post graduates and they are financially literate.
- All the respondents' source of income is salaries. This shows that women are dependent on a regular source of income.
- Majority of the respondents have saving mentality and do invest in available opportunities, which shows that women have overcome the thought that investment is risky.
- Most of them are saving or accumulating separately for future needs like children's higher education and their marriage.

10. SUGGESTIONS

- To be financially literate, a woman must be confident enough to read, analyze and manage their personal finances so as to lead more secure and satisfying lives.
- Financial literacy programs need to be concentrated on the strategical and behavioral rules which are required in the context of financial decision-making and Women should engage themselves in those activities which clarify and enhance understanding of the concept and need of financial planning
- Self help groups and other non-governmental organizations should implement a presentation or activities to educate and promote financial literacy to organized groups and the general public.
- Women who are experts in the finance industry should demonstrate the importance of financial education in Schools through programs at least from the middle school level. These programs should be conducted in such a way that the respective audience understands the importance of financial literacy in life. The government should create a resource center on its financial literacy website for women investors and for the general public.
- Women should understand their tolerance for risk and use it to determine the size of every investment they make.

Financial inclusion can be achieved only through educating people regarding the importance of investment and speculation in an economy. To nurture a "pre-eminent system" in the Financial Literacy argument, we need a stable development of the financial market and innovative programs and survey interpretations to make the term familiar among the layman. Educating the young creed about the will eventually lead to adults who are financially prepared and can easily accustom themselves to the multifaceted economic life.

11. CONCLUSION

This study on financial literacy among working women in Kochi revealed that women with high educational qualification shows a better attitude towards investment and speculative activities, than those from a low educational background. It clearly depicts the relationship between the financial success and attributes of financial Literacy. Being financially literate is the situation of being independent in financial decision making and investment of their funds in efficient market instruments. Nowadays, women are earning in par with man, but they are not conscious about managing their income. It can be concluded that financial participation of the working class of women is very important for the sustainable development of the country and thus education them with regard to the current financial scenario is an integral element of the financial inclusion concept.

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ACCOUNTABILITY, MANAGEMENT AND ORGANIZATIONAL APPROACH TO CHILDREN'S HOMES IN INDIA: AN ANALYTICAL STUDY OF MYSURU CITY IN KARNATAKA

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ABSTRACT
A non-governmental organization (NGO) is an organization that is neither a part of a government nor a conventional for profit business. Usually set up by ordinary citizens, NGOs may be funded by governments, foundations, businesses, or private persons. Thus, to have a fund the accountability is important for the funders. The purpose of this study was to examine the sources of funds and the practices of accounting records of a few orphanages located in the Mysuru City. Through the systematic and proper accounting practices, the orphanages could prove its accountability and satisfy the funders. The orphanages were selected through the convenience sampling technique. Through the analysis, it is concluded that the main source of income is through public donations and the orphanage management has maintained their book-keeping through the simple list of income and expenses.

KEYWORDS
orphanages, accountability, financial, funds, funders.

JEL CLASSIFICATION
L3, L31.

INTRODUCTION
The three main sectors in economic structure are Private, Public and Non Government Organizations (NGOs). A group of people come together to form a non-government organization which is not connected with the government of any country. Usually the non-governmental organizations do not aim at making profits - that is, they are trying to do something other than make money for the people who run them. Government funding of NGOs is controversial, since, according David Rieff, writing in *The New Republic*, "the whole point of humanitarian intervention was precisely that NGOs and civil society had both a right and an obligation to respond with acts of aid and solidarity to people in need or being subjected to repression or want by the forces that controlled them, whatever the governments concerned might think about the matter." Orphanage is one of the NGO which provides services in the interest of the Orphans. The term NGO was officially brought into being with the passing of Resolution 288 (X) by the United Nations Economic and Social Council on the 27th February 1950.

Orphanage is not a new concept to the world. The history of orphanages in India goes back to 1850s. Orphanages are non-profit or charitable organizations that are dedicated to the welfare of the abandoned and destitute children in India. Studies say that India is home to the maximum number of kids who are under 18 years of age and this stands for 41% of the overall population of the country. What is more worrying is that approximately 4% of this population in the country or 20 million children are orphans. These orphanages in the country receive donations from different sources to run their social welfare activities and the donors, trustees are interested to know the usage of funds. Hence, the purpose of this study is to identify the orphanages organizational structure, sources of funds and practices of book-keeping and financial reporting as issues related to the accountability of the orphanages management.

DEFINITION OF ORPHAN

A child who is below 18 years of age and who has lost one or both parents may be defined as an orphan. Maternal orphan is referred to a child who has lost their mother and paternal orphan is referred to a child who has lost their father. Social orphans are children who are living without parents because of abandonment or because their parents gave them up as a result of poverty, alcoholism or imprisonment, etc.,

ORPHANS IN INDIA

The number of orphans in India stands at approximately 55 million children of age 0 to 12 years, which is about 47% of the overall population of 150 million orphans in the world (GCM India; UNICEF, 2005). India is the world's largest democracy with a population of over a billion people, of which 400 million are children. Approximately 18 million of this number of children live or work on the streets of India, and majority of them are involved in crime, prostitution, gang related violence and drug trafficking; however, a large number of these children are orphans.

REVIEW OF LITERATURE
Suraiya Ishak. (2012) in the article title "Managerial Accountability: A Review through Orphanages' Financial Record Practices" has mentioned an orphanage is a Non for profit organization where the orphans are taken care. The orphanages should take care of maintaining the financial records such as income and expenses account and balance sheet which have to be audited and reported to its funders to have a track of the utilization of funds and where the Orphanages can gain confidence of the donors. One of the ways to communicate the management's accountability and performance to stakeholders is through a true and fair accounting record and reporting.

Zahir Uddin Ahmed. (2001). Has mentioned NGOs are civil society actors that provide services beyond the purview of the state, they advocate for the poor and facilitate their mobilization, promote freedom in politics and the market, and help to make the state more accountable. BRAC has created an example for both Government and the private sector by providing welfare services and creating a healthy competition. The successful control mechanisms, learning, trusts, visionary leadership quality and dynamisms help BRAC to ensure accountability and transparency to its fullest extent.

Alnoor Ebrahim. (2003) this paper examines how accountability is practiced by nongovernmental organizations (NGOs). Five broad mechanisms are reviewed: reports and disclosure statements, performance assessments and evaluations, participation, self-regulation, and social audits. Each mechanism, distinguished as either a "tool" or a "process," is analyzed along three dimensions of accountability: upward–downward, internal–external, and functional–strategic. It is observed that accountability in practice has emphasized "upward" and "external" accountability to donors while "downward" and "internal" mechanisms remain comparatively underdeveloped.

J.G. Townsend, & A.R. Townsend. (2006) has examined a managerial revolution through which specific governments sought to control costs and increase governability in the public sector has been extended to NGOs, North and South, so that significant overlaps may be found. In exploring some ethical issues involving NGOs North and South, we find that many arise from this managerial revolution and from very uneven accountability. Problems discussed include negative outcomes of the audit culture, transparency and legitimation. Misrepresentation by donors and NGOs, conceivably on ethical grounds, faces academics with complex choices.

Pareena G. Lawrence, & Sheila Nezhad. (2009) in their study have analyzed that variety of transparency-improving techniques applicable to small and large organizations that can range from very formal reporting techniques to face-to-face transparency reporting. In addition to outlining these transparency techniques, the results reveal varying degrees by which NGOs and government work together.

Dipankar Datta. (2010) in his study argues that placing children front and centre in development programmes should be the key element of response to diverse vulnerabilities of Orphans and Vulnerable Children (OVC). This effort should be complemented by strengthening families, supporting collaborative action within communities, and securing the human capital of rising generations.

Karen A Froelich, (1999) has examined the profiles are drawn upon to anticipate potential advantages and disadvantages of increasingly diversified revenue strategies employed by nonprofits to combat resource dependence. The potential interaction effects raise critical but unanswered questions about nonprofit performance, legitimacy, and public policy issues.

Jacobi, J. (2009) Orphanage is not a new concept to the world. According to Jacobi (2009, p. 57), a large group of orphanages was founded in Europe during the sixteenth or early seventeenth century to provide education and assist the orphans in their transition into adulthood. Orphanages have been recognized as successful institutions in relation to orphans' upbringing since the early modern years. They have offered majority of the needy children with the opportunities to grow and to cope successfully with the norms and expectations of the world around them (Jacobi, 2009, p. 64). Meanwhile, the philanthropic-based effort has been receiving various aids and financial supports from the public now and then. Hence, the purpose of this study was to identify orphanages' practices of bookkeeping and financial reporting as issues related to the accountability of the orphanages management.

Saunah, Z, & et al., (2010) study revealed that there are variations in reporting practices among the Malaysian tax-exempt charitable organizations. This is due to the minimum regulatory requirement and the absence of reporting standards, which were established for the NFP financial reporting in Malaysia. As explained according to Section 14(d) of the Societies Act 1966 (Act 335) and Regulations, the organizations registered under the Registrar of Societies (ROS) must submit Form 9 that consists of the Statement of Receipts and Payments of the previous financial year and a balance sheet of the respective year to the ROS within 60 days after its annual general meeting. However, the accounts are not necessarily be audited by the external auditors. Other statements which supplement the financial statement, such as the cash flow statement, statement of changes in general fund and notes to accounts (containing significant accounting policies and other explanatory notes) are also not required to be submitted by ROS. Moreover, the study found that only 18/37 or 49% of the NFPs submitted their Statement of Receipts and Payments, together with the Balance Sheet to ROS, as required by the Societies Act 1966 (Act 335) and Regulations. The contributions of this study lie on its' emphasis on the orphanage institutions, whereby study had focused on various tax-exempt charitable organizations in Selangor. The primary data contributes to an understanding of orphanages operations and its financial aspect, as well as the practices of accounting record/reporting processes.

Susan R. Bernstein, (1991) study reports the findings of one of the few studies to examine how administrators in nonprofit agencies manage contracted services. The analytic framework for explaining and describing managers' experience is their primary metaphor: contracted services as a game.

Vakil, A. C. (1997) study reviews alternative definitions of NGOs and proposes some causes of the classification problem and outlines past efforts to classify NGOs and, based on this, presents a classification framework that focuses on two types of descriptors: essential and contingent.

Fernando, J.L. & Heston, A. (1997) has explained the colonization by European powers of much of the South brought missionary groups whose activities can be seen as prototypical NGO ventures in education, health service provision and agricultural development. They included both 'welfarist' and 'empowerment' approaches to community work.

Chowdhury, R.R. (1997) in his study a decision-based framework is centered on the users of information. A framework developed upon accountability, on the other hand, focuses on the relationship between the provider and the users of information. A framework which is decision based has a relatively restricted scope for examining the information provided and utilized because it assumes that user groups' information requirements are somewhat pre-specified (e.g. by law and other regulatory bodies). An accountability-based framework, on the other hand, has a wider scope for it does not restrict itself to specific users or their information needs.

STATEMENT OF THE PROBLEM
The accountability of economic information is very much important to any of the organization. The maintenance of economic information related to average monthly expenses, utilization of funds is important for the orphanages as it has received attention from the public. This is because the resources are limited and it has to be utilized efficiently and effectively and the funders are interested to know the usage of the funds.

OBJECTIVES
- To study the organizational structure of the children homes.
- To know the sources of funds and application of funds.
- To study the current practices of accounting and reporting in selected Orphanages.

RESEARCH METHODOLOGY
In order to support the subject of the article- data, facts and information were collected. The methodologies used to collect the information are referring research publications, interviews with experts, surveys and other research techniques. Also, includes both present and historical information.

The study focused on three Orphanages in Mysuru city. The primary data was collected through interview asking certain questions. Both Kannada and English languages were used for better communication while interviewing.

RESULTS
Table shows the basic details of the selected orphanages.

As shown in the Table, the orphanage A is established by NGO. In case of orphanage B, it is a religion based orphanage which provides shelter and food for the economically weak students, or who have one parent between the ages 16 to 22 years. Whereas in case of Orphanage C it is individually owned and children are bought up till the age of 18 years. These children are brought from slums, road sides, orphans or have one parent. Orphanage A is a foreign owned and children are bought up till the minimum age of 18 years. In case of girls till they go for job and settle.

TABLE 1: THE DETAILS OF CHILDREN'S HOMES

Orphanage	Year of establishment	Founder
A	2008	NGO
B	1992	Individual (Religion Based)
C	1896	Individual

SOURCES OF FUNDS AND EXPENSES

Table is concerned with the information related to sources of funds and average monthly expenses.

As stated the main sources of funds are public donations. The funders are combination of individuals and corporate sector which provide 2% of their profit to have a reduction on their tax payment. In case of orphanage B and orphanage C, they do not accept funds from corporate sectors. Orphanage A is receiving fund under the CSR initiative. The expenses include from the basic needs to the schooling. In some orphanage they are providing extra tuitions for the students who are weak in studies. Some children's home has received the premises has the donations for their operations. Other homes are self-owned.

Meanwhile, a majority of the orphanages are facing deficit of funds. Where the average monthly expenses vary from Rs. 1,50,000 to Rs. 2,50,000. The expenses include the groceries or food expenditure, cloths, schools, tuition fees, and orphanage maintenance; because of money deficit the expenses are bare by their personal sources. Where in some orphanage the funds are collected from the foreign and sent to the orphanage. In some of the orphanages, they are not receiving the funds from foreign sources as there is a lengthy formality to receive the funds.

TABLE 2: SUMMARY OF SOURCES OF FUNDS AND EXPENSES

Orphanage	Sources of Funds	Premises	Average Monthly Expenses (Rs.)
A	Society, Corporate entities, Director's friends, Foreign Donors	Donated by the People in that area	2,50,000
B	Trustees, Founder, Society	Self- owned Building	1,80,000
C	Society, Rents from surrounding shops, Donations, Foreign Donors, Studied Student in their NGO	Self- owned Building	1,50,000

FINANCIAL RECORD PRACTICES

Table shows the responses for the list of questions from the questionnaire for the maintenance of financial accounting practices.

Financial record plays a important role in any of the businesses and as well as in orphanages as they have to show the, in detail expenses to their funders and to have a track record of their incomes and expenses. From the observation it has been found that the orphanages are not been maintained under the specific accounting standards and procedures. They are maintaining the Income and expenditure account which shows the sources and application of funds. They have to maintain these records to have a control over their expenses. Some of the orphanage did not want to prepare the balance sheet to show their financial positions. One orphanage is publishing their annual report in their websites, where the public can have a access of the annual report or financial records. The other two orphanages are not publishing and it is accessible only by the committee members.

In terms of communication of financial report, the orphanage sends their financial report to their donors if they have asked so. Two of the orphanages are sending the report to their donors, and where one orphanage is not sending their report. As specified above it will be sent only if they have asked so.

The orphanages such as, two of them are auditing their financial reports by the external auditor. One orphanage claimed that they have internal auditor with the accounting skills. None of the orphanages are benefited by the government aids. No orphanages are charged tax and they are exempted by the tax.

TABLE 3: SUMMARY OF FINANCIAL RECORD PRACTICES

No.	Items	Yes	No	Sometimes
1	Financial Report preparation	3	-	-
2	Systematic financial record is maintained	3	-	-
3	Have individual to maintain Organization's accounting record	3	-	-
4	Every year the financial report is sent to the donors	2	1	-
5	Accounting records are kept for verification for outsiders	1	2	-
6	Financial records are audited by external auditor	2	1	-
7	Obtain any tax exemption	3	-	-
8	Receive Government aids	-	3	-

DISCUSSION

The most important factor concerned with the orphanages is to maintain the funds which are available. This consists of maintaining the good relationship between the orphanage management and the funders. This can be maintained through continuous communication with the funders about the expenses and with the proper maintenance of the accounting records. This results in the trust on the orphanages which will increase the donation intention. The financial record allows the funders or stakeholders to evaluate the orphanage's performance and the position.

According to the Societies Act 1960

"On or before the fourteenth day succeeding the day on which the annual general meeting of a society is held, there shall be filed with the Registrar a list of the names, addresses and occupations of the members of the governing body then entrusted with the management of the affairs of the society and a copy of the balance sheet and income and expenditure account audited by a person who under section 226 of the Companies Act, 1956 (Central Act 1 of 1956), can act as an auditor of companies registered in the 1 [State of Karnataka]"

As the orphanages are not maintaining the proper records of the expenses the funders are not getting the proper information about the performance of the orphanages. The systematic record maintenance helps in effective and efficient use of the available resources as well as the misuse of the funds by the individuals. In conclusion, as the orphanages have been established for good and generous purpose, it is important for them to maintain the systematic accounting record to have a accountability and to have a confidence of the funders.

IMPLICATIONS AND RECOMMENDATIONS

The main role of the government is to provide the social benefits to its citizens. The orphanages are helping out the government in their role. So, the orphanages need to have the systematic organizations to increase their community support capacity.

Therefore, some of the financial aids should be provided to comfortable the financial burden of the funders. The government may allocate some funds to the orphanages to compensate the operational expenses bared. For this purpose, the government may allocate the special funds for the orphanages. To allocate the special funds government may impose strict requirement of the systematic financial record or the standardized financial report. As a result, the corporate sectors may also include the orphanages under the corporate social responsibility (CSR) program.

LIMITATIONS AND SUGGESTIONS

This study is based on the convenience sampling techniques due to the difficulty of obtaining the co-operation from the children's home or orphanages. The orphanages showed some degree of cynic to disclose the information. Thus, the number of samples (three entities) included in this study was respectively less. So, the future study should include more number of orphanages. Anyhow, this limitation does not affect the study as it is illustrative and promote the future explorations.

Future studies may also include the assessment from the funders and direct assessment of the entities' financial report. These efforts can be done only if the orphanages are maintaining the proper financial records as well as funders' details and allowing the researchers to allow it to access.

CONCLUSION

This study attempted to know the sources of funds and expenses and its utilization. It also conducted to know the maintenance of the financial record practices. The study also could be conducted in the perspective of the funders, operators and the governing body. This study also assessed the practice of maintaining the financial records in the orphanages and its importance. The additional funds can be raised through the proper communication of the accountability of the management with the funders. The management's accountability and performance can be communicated to the funders through the true and fair accounting record and reporting.

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APPENDIX

NGO Questionnaire

1. How long has your organization been in existence?
2. What are the key elements of your organization's mission and vision?
3. Does your organization have a website or brochure available?
4. How many Children are there currently?
5. Please generally mention the socio-economic background of the Children?
6. Till what age the Children are taken care?
7. What all activities are taken up in the orphanage? (Food, Shelter, School)
8. Children are given education in the orphanage or sent outside institute?
9. Is the orphanage is government or private?
10. Please indicate the organizational structure.
11. Do you have more than one unit?
12. If yes. Please provide particulars.
13. What are your primary funding sources? (Public, Government, Foreign, CSR)
14. How funds are utilized?
15. Do you get funds under CSR initiative?
16. An orphanage premise is owned by self/ others?
17. What is the average monthly expense?
18. Do you prepare financial report?
19. How frequently the financial report is prepared?
20. Do you maintain systematic financial record?
21. Hire individual to maintain organization's accounting records.
22. Is the financial report is sent to the donors every year?
23. Do the financial report is kept for verification to the outsiders?
24. Have external audit has been done?
25. Are you enjoying any tax exemptions?
26. Do you receive any government aids?

RELATIONSHIP BETWEEN ECONOMIC VALUE ADDED AND PROFITABILITY MEASURES WITH REFERENCE TO HINDUSTAN ORGANIC CHEMICALS LIMITED KOCHI – A STUDY

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ABSTRACT

Economic Value Added (EVA) is an estimate of a firm's true economic profit that differs from accounting profits in the following three ways. First, Economic Value Added integrates asset management and operating efficiency into measures that can be easily understood by operating personal. Second, Economic Value Added is charged for capital at a rate that compensates investors for providing the capital needed for operation. Finally, Economic Value Added adjusts reported accounting results in order to eliminate distortions. Hindustan Organic Chemicals Ltd. Kochi (HOCL) set up in 1987 by the Government of India, with registered office at Rasayani, Raigad district in Maharashtra is being taken for the study. It was established with the objective of attaining self reliance in basic organic chemical needs. In fact this was the first venture to indigenous manufacture of basic chemicals and to reduce country's dependence on import of vital organic chemicals. Karl Pearson's coefficient of correlation helps to find out the relationship between Economic Value Added and Different Profitability measures. Trend Analysis helps the investors to find out the future position of the company whether to invest or not. Economic Value Added is based on the common accounting based items like interest bearing debt, equity capital and net operating profit. It differs from the traditional measures mainly by including the cost of equity Also a larger number of traditional profitability measures viz. Return on Capital Employed, Return on Net Worth, Return on sales, Earning per share etc are used to judge the financial health of a business corporate which are known as the profitability measures. The financial statements are the results of accounting system whereby the reported profit are grater important for users. Investors relying on accounting profit evaluate and predict the performance of a company.

KEYWORDS
correlation, economic value added, profitability measures, trend analysis.

INTRODUCTION

In 1990 another tool was planned to gage the profitability of a firm, which is known as 'EVA'. This idea was provided by Alfred Marshal in 1890. The EVA of the organization is only a measure of the incremental return which the investor earns the investment over the market rate of return.it can be expressed that EVA measures the profitability net of cost of capital. Hence, EVA can be taken as the net operating profit minus an appropriate charge for the opportunity cost of firm's capital invested. There for EVA is an estimated of firm's true economic profit.

In corporate world, Economic Value Added or EVA, is an estimated of true economic profit of a firms minus the value created in excess of the required return of the investors (being shareholders and debenture holders). EVA is the benefit earned by the firm less the expense of financing the company's capital. Value is made when the return is greater than the cost of capital.

Economic Value Added (EVA) is an estimate of a firm's economic profit, or in other words it can be the value formed in excess of the required return of the company's shareholders. Reasonably, EVA is the net profit earned by the firm less the opportunity cost of the firm's capital. The idea of creating value is that, when the return on the firm's economic capital employed is greater than the cost of that capital.

Karl Pearson's coefficient of correlation helps to find out the relationship between EVA and Different Profitability Measures Correlation is a statistical technique that can show whether and how strongly pairs of variables are related Including all statistical techniques, correlation is only appropriate for certain kinds of data. Correlation mainly works for quantifiable data in which numbers are meaningful, usually quantities of some sort. It cannot be used for purely categorical data, such as gender, brands purchased, or favorite color. Correlation is calculated to find out the relation between the two variables which can be of positive and negative relationship.

Economic Value Added is used as an execution assessment tool of higher level managers, directors, and CEOs of an enterprise because the performance of the enterprise depends on the human resources. Economic Value Added is utilized at sub-division level and whole authoritative level of the business.

REVIEW OF LITERATURE

Hasani, Seyed Mojtaba; Fathi, Zadollahe in their research paper 'Relationship The Economic Value Added (Eva) With Stock Market Value (Mv) And Profitability Ratios', finds that basically, criteria for evaluating are divided in to two groups: the traditional standards and the value based criteria stock exchange. In evaluating performance with the traditional method, only accounting profit is considered with due to failure to consider the costs of providing the company's capital re-sources, is not considered a desirable method. One of the value- based criteria is the economic value added criteria. Relationship between economic value added and the profitability of 70 selected companies of securities bourse, and the value stock market in the period 1384 to 1389 is studied. The correlation results, using Pearson index between two indices, the economic value added index and the index of stock market value, show that at 1% level, these two variables are correlated, and the correlation is positive. Also, the results of the panel regression estimation indicate a positive and significant relationship between two indices of the economic value added and stock market.

A.K. Sharma & Satish Kumar in their research paper 'Eva Versus Convenational Performance Measures – Empirical Evidence from India' finds out that Value based financial performance measures like Economic value added (EVA), Shareholder value added (SVA) has attracted the attention of investors, policy makers and researchers in the recent time due to their superiority and ability to reflect the true valuation of the companies. Investor's in developing countries are shifting their attention from traditional mandated corporate performance measures like NOPAT, EPS to value based mainly to EVA in while analyzing the performance of the companies and making investment strategy. The main objective of this study is to examine whether Economic Value Added (EVA) can be used as a tool of

performance measures while investing in Indian market and provide evidence about its superiority as a financial performance measure as compared to conventional performance measures in Indian companies. To achieve this, performance of the Indian listed manufacturing companies is compared with traditional mandated corporate financial performance measures used in investment analysis. Further, the present study ranks the performance Indian companies on the basis of various performance measures and suggests to investors which performance measures should be used to analyze the companies in order to make better investment decision. The results of our study reveal that investor should use EVA along with traditional measures in firm valuation and making investment strategy
Pablo Fernandez in his research paper 'Eva and Cash Value Added Do Not Measure Shareholder Value Creation' analyzed 582 American companies using EVA, MVA, NOPAT and WACC data provided by Stern Stewart. For each of the 582 companies, we have calculated the 10-year correlation between the increase in the MVA (Market Value Added) each year and each year's EVA, NOPAT and WACC. For 296 (of the 582) companies, the correlation between the increase in the MVA each year and the NOPAT was greater than the correlation between the increase in the MVA ach year and the EVA. There are 210 companies for which the correlation with the EVA has been negative! The average correlation between the increase in the MVA and EVA, NOPAT and WACC was 16%, 21% and -21.4%. The average correlation between the increase in the MVA and the increases of EVA, NOPAT and WACC was 18%, 22.5% and -4.1%. We also find that the correlation between the shareholder return in 1994-1998 and the increase in the CVA (according to the Boston Consulting Group) of the world's 100 most profitable companies was 1.7%.
H.M. van der Poll, N.J. Booyse, A.J. Pienaar, S. Büchner & J. Foot in their research papser 'An Overview of The Implementation Of Economic Value Added (Eva™) Performance Measures In South Africa' finds out that although Economic Value Added (EVA) might improve the measurement of organizations' performance, it seems not to be used widely in South Africa. The need to measure financial performance and the different metrics that can be used should be investigated to establish the best measure for each sector. The purpose of the reported study was to determine the extent to which EVA is used by South African organizations. Furthermore, this investigation focused on methods used by these organizations to calculate EVA and aimed to determine the South African business sectors in which it is most likely to be implemented. A focus group discussion was conducted with financial experts, which included consultants, analysts and statisticians, to discuss EVA and challenges relating to its implementation. It was established that South African companies will benefit from using EVA in conjunction with other metrics. Management needs to understand its own organization to be able to implement the most appropriate performance metric applicable to the organization. It is recommended that companies do a thorough internal analysis of their organizations to assist them in making an informed decision regarding the appropriate performance metric, which includes EVA.

NEED/IMPORTANCE OF THE STUDY
It is important for a firm to identify its true economic profit generated and also the firm needs to know the value that created after paying the benefits to its share holders

STATEMENT OF THE PROBLEM
Hindustan Organic Chemicals Ltd, Kochi was one of the most profits making company in India but unfortunately with many reasons the company is making loss, so this study will help to know more about the problems undergoing in HOCL, Kochi.

OBJECTIVES
- To find Economic Value Added of Hindustan Organic Chemicals Ltd. Kochi
- To find different Profitability Measures of Hindustan Organic Chemicals Ltd. Kochi
- To find the trend analysis of the Profitability measures
- To study the correlation between Economic Value Added and different Profitability Measures of Hindustan Organic Chemicals Ltd. Kochi

RESEARCH METHODOLOGY
The process used to collect information and data for the purpose of making business decision. The methodology may include publication research, interviews, surveys and other research techniques, and could include both present and historical information
The formulas used to calculate the correlation is

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2} \times \sqrt{\sum(Y-Y1)^2}}$$

Return from the market

$$\frac{P1-P0}{P0}$$

P0=Price at the beginning of the period
P1=Price at the end of the period
Beta of the HOCL is provided as 1.43
Risk Free Rate is 7.65 (10 year Government bond rate)

TYPE OF DATA
The data used is the secondary in nature which includes balance sheet and profit and loss account of Hindustan organic chemicals ltd Kochi

TOOLS USED FOR ANALYSIS
Karl Pearson's coefficient of correlation is used to find out the relationship between EVA and Profitability measures. And trend analysis is also done to find out the future performance of the company.

RESULTS & DISCUSSION
CALCULATION OF EVA
EVA = Net Operating Profit after Tax – (Total Capital * Weighted Average Cost of Capital)
WACC = Ke* We
Ke = Rft + (Rmt – Rft) β
We= Equity capital / Capital Employed

TABLE 1

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Risk Free Rate	7.65	7.65	7.65	7.65	7.65
Price at the beginning (P0)	36	33.5	18.6	11	11.61
Price at the end (P1)	32.85	18.15	10.89	11.91	14.1
Return from the market (P1-P0/P0)	-8.75	-45.82	-41.45	8.27	21.45
BETA	1.43	1.43	1.43	1.43	1.43

TABLE 2

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Risk Free Rate	0.077	0.077	0.077	0.077	0.077
Return from the market	-0.088	-0.458	-0.415	0.083	0.214
BETA	1.43	1.43	1.43	1.43	1.43
Ke	**-0.16**	**-0.69**	**-0.63**	**0.09**	**0.27**

TABLE 3

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Equity capital	3342	3342	3342	3342	3342
Capital employed	16443.81	14790.73	7308.63	-1101.37	534.79
We	**0.20**	**0.23**	**0.46**	**-3.03**	**6.25**

TABLE 4

PARTICULARS		2010-11	2011-12	2012-13	2013-14	2014-15
Sales		58120.81	43170.47	39325.91	19830.70	13680.32
Operating Cost		45112.57	40567.99	42931.09	26745.83	20938.62
Net Operating Profit after Tax		**13008.24**	**2602.48**	**-3605.18**	**-6915.13**	**-7258.30**
Total Capital		**3342.00**	**3342.00**	**3342.00**	**3342.00**	**3342.00**
WACC = Ke * We	Ke	-0.16	-0.69	-0.63	0.08	0.27
	we	0.20	0.23	0.46	-3.03	6.25
WACC		-0.03	-0.16	-0.29	-0.26	1.71
EVA		13116.21	3122.83	-2647.62	-6058.63	-12956.74

INTERPRETATION

From the above table we have calculated the EVA, which shows that the EVA is decreasing year by year which finally reaches to negative balance

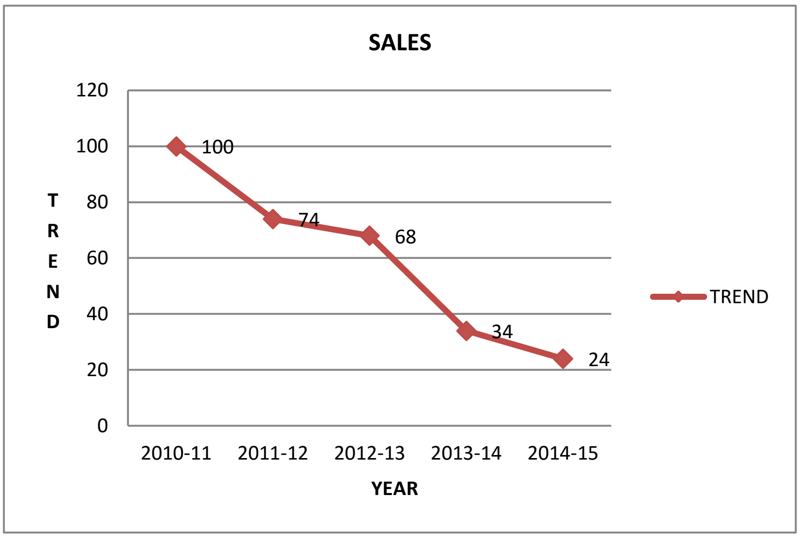
INFERENCE

The reason why EVA is decreasing is that the sales of the company are decreasing year by year, so the profit will also decrease where by EVA will also decrease.

TABLE 5: SALES

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Sales	58120.81	43170.47	39325.91	19830.70	13680.32
Trend (%)	100	74	68	34	24

FIG. 1



INTERPRETATION

The Trend analysis of sales shows that the sales are decreasing year by year. This is not a good sign for the company

CALCULATION OF PROFITABILITY MEASURES

BOOK VALUE

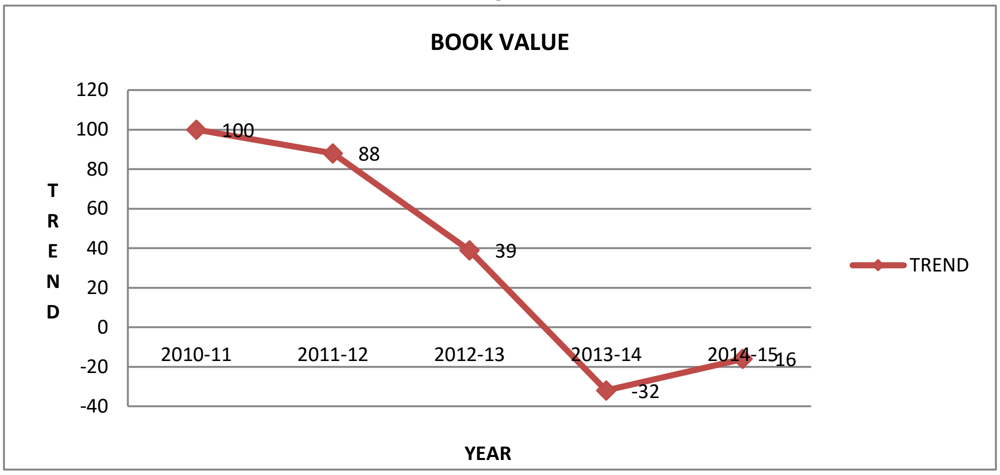
Book value means the value of the business according to its financial statement. A business can use a book profit to suggest to investors that it is performing well, but this information should be used carefully.

Book value = Total Assets – Intangible assets – Liabilities

TABLE 6

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
(A)TOTAL ASSETS	22589.26	20440.90	16758.33	13024.48	13948.23
(B)Less Intangible assets	285.01	328.62	246.89	166.61	85.99
(C)Less Liabilities	7080.1	6691.92	10537.78	17708.84	16289.49
BOOK VALUE(A-B-C)	**15224.15**	**13420.36**	**5973.66**	**-4850.97**	**-2427.25**
TREND (%)	100	88	39	-32	-16

FIG. 2



INTERPRETATION

From the above table, Book value has been calculated were it shows a decreasing trend year by year, finally it touches the negative balances which indicate that the value of business according to its books or financial statement is weak.

CAPITAL EMPLOYED

Capital employed refers to the capital investment which is necessary for a business to function. It also refers to the value of all assets (fixed as well as working capital) employed in a business.

Capital Employed= Total Assets- Current Liabilities

TABLE 7

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Total Assets	22589.26	20440.90	16758.33	13024.48	13948.23
Current Liabilities	6145.45	5650.17	9449.70	14125.85	13413.44
CAPITAL EMPLOYED	**16443.81**	**14790.73**	**7308.63**	**-1101.37**	**534.79**
Trend (%)	100	90	44	-7	3

FIG. 3

INTERPRETATION

From the above table, capital employed has been calculated which shows a decreasing trend year by year, were it touches the negative balance in the financial year 2013-14 but it moves to positive next year which indicate that the return from the investment is likely to be not worthy for the investors in future.

RETURN ON CAPITAL EMPLOYED

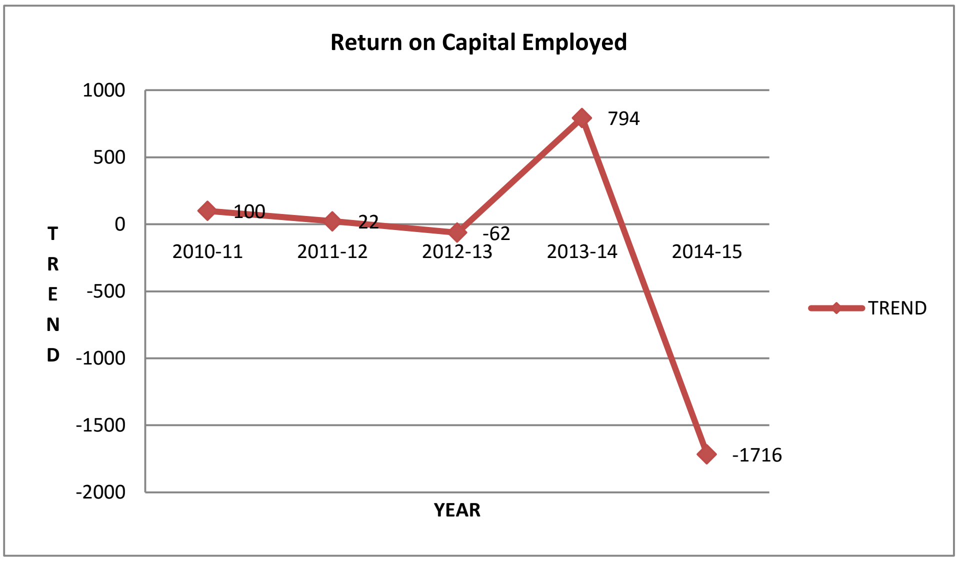
ROCE is an accounting ratio used in valuation, finance and accounting. It's useful for comparing the relative profitability of companies.

ROCE=Net profit/Capital employed *100

TABLE 8

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Net Profit	13008.24	2602.48	-3605.18	-6915.13	-7258.30
Capital Employed	16443.81	14790.73	7308.63	-1101.37	534.79
ROCE	**79.11**	**17.60**	**-49.33**	**627.87**	**-1357.22**
TREND (%)	100	22	-62	794	-1716

FIG. 4



INTERPRETATION

From the above table, Return on capital employed has been calculated which shows a decreasing trend year by year, were it touches the negative in the financial year 2012-13 and 2014-15 which indicate that the investors will stop investing because no one will be happy to get a negative return.

NET WORTH

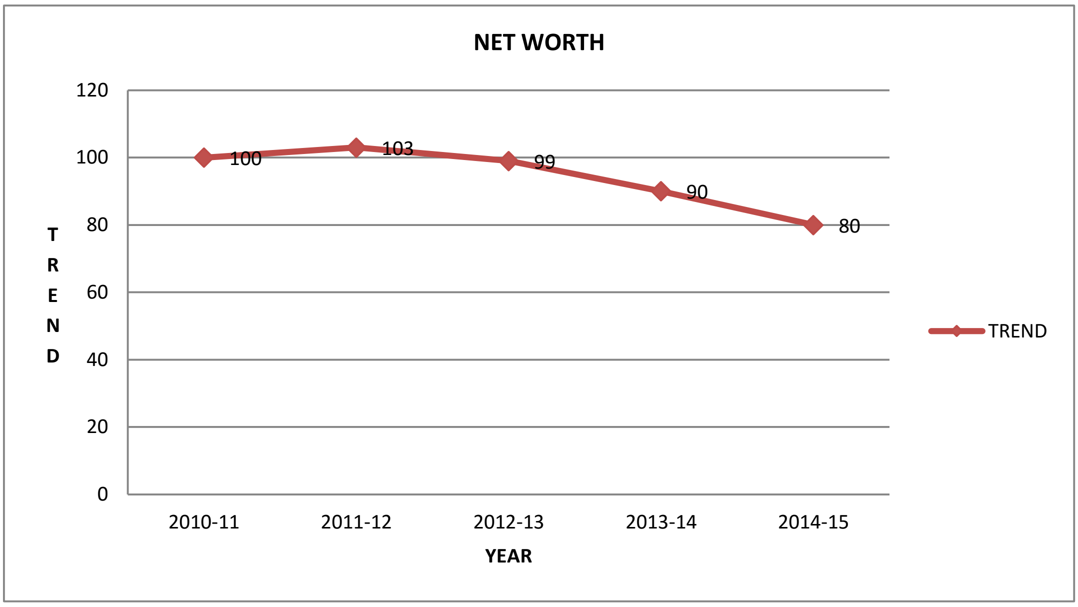
Net worth is an important determinant of the value of a company, considering it is composed primarily of all the money that has been invested since its inception, as well as the retained earnings for the duration of its operation. Net worth can be used to determine credit worthiness because it gives a snapshot of the company's investment history.

Net worth= Shareholders fund- Miscellaneous Expenses

TABLE 9

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Share holder's fund	77737.87	80340.35	76735.17	69820.04	62386.16
Less Miscellaneous Expenses	0	0	0	0	0
Net Worth	**77737.87**	**80340.35**	**76735.17**	**69820.04**	**62386.16**
TREND (%)	100	103	99	90	80

FIG. 5



INTERPRETATION

From the above table, Net worth has been calculated which shows a decreasing trend year by year, which indicate that the company doesn't have a good financial health.

RETURN ON NET WORTH

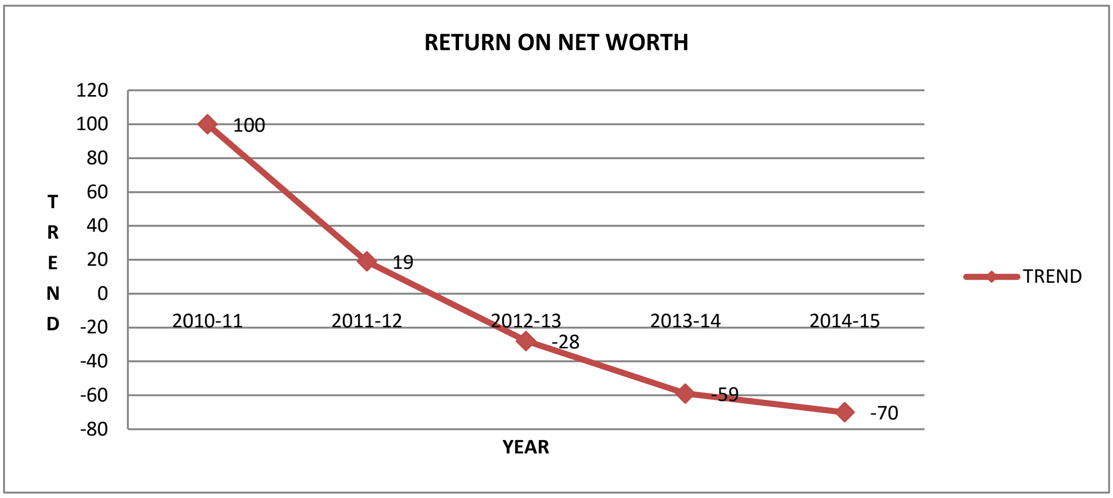
RONW is used to measure the company's profitability, it reveals how much profit that the company generated from the amount invested by the shareholders.

RONW= Net profit / Net worth*100

TABLE 10

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Net Profit	13008.24	2602.48	-3605.18	-6915.13	-7258.30
Net Worth	77737.87	80340.35	76735.17	69820.04	62386.16
RONW	**16.73**	**3.24**	**-4.70**	**-9.90**	**-11.63**
TREND (%)	100	19	-28	-59	-70

FIG. 6



INTERPRETATION

From the above table, Return on Net worth has been calculated which shows a decreasing trend year by year, which indicate that the profit made by the company using the money invested by the shareholders is not up to worthy.

EARNINGS PER SHARE

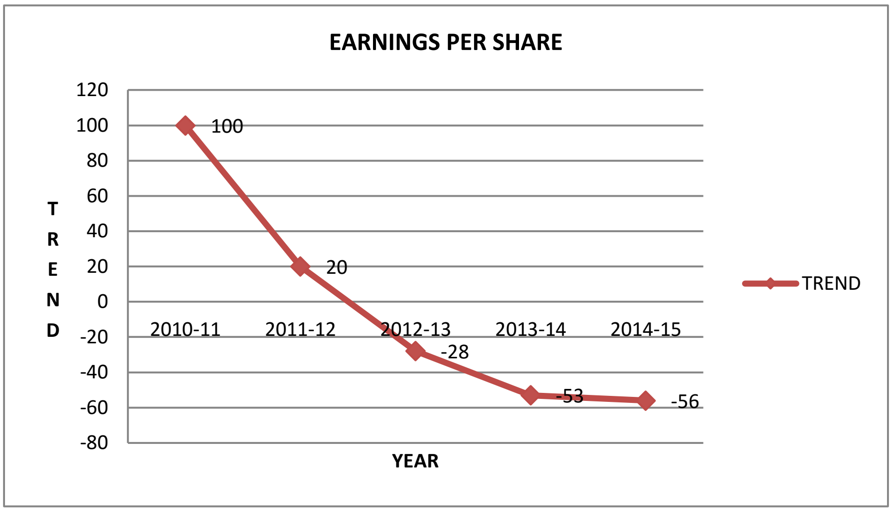
Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

EPS = Net Profit / No of Equity Shares

TABLE 11

PARTICULARS	2010-11	2011-12	2012-13	2013-14	2014-15
Net Profit	13008.24	2602.48	-3605.18	-6915.13	-7258.30
No. of Equity Shares	334.20	334.20	334.20	334.20	334.20
EPS	**38.92**	**7.79**	**-10.79**	**-20.69**	**-21.72**
TREND (%)	100	20	-28	-53	-56

FIG. 7



INTERPRETATION

From the above table, EPS has been calculated which shows a decreasing trend year by year, which indicate that the company doesn't have a good financial health.

CORRELATION BETWEEN EVA AND SALES

TABLE 12

YEAR	EVA(X)	SALES (Y)	X-X1	Y-Y1	$(X-X1)^2$	$(Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	58120.81	14201.00	23295.17	201668401.00	542664945.33	330814709.17
2011-12	3122.83	43170.47	4207.62	8344.83	17704066.06	69636187.73	35111873.60
2012-13	-2647.62	39325.91	-1562.83	4500.27	2442437.61	20252430.07	-7033156.96
2013-14	-6058.63	19830.70	-4973.84	-14994.9	24739084.35	224847026.01	74582233.42
2014-15	-12956.74	13680.32	-11871.95	-21145.3	140943196.80	447123712.09	251035944.34
TOTAL					387497185.82	1304524301.23	684511603.56

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2} \times \sqrt{\sum(Y-Y1)^2}}$$

$$\frac{684511603.56}{\sqrt{387497185.82} \times \sqrt{1304524301.23}}$$

$$\frac{684511603.56}{19684.95 \times 36118.20}$$

$$\frac{684511603.56}{710984877.17}$$

Correlation = 0.97

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation between sales and EVA but the fact is, the sales is decreasing year by year so EVA will also decrease. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company. I.e. both the variable are moving in a same direction.

CORRELATION BETWEEN EVA AND BOOK VALUE

TABLE 13

YEAR	EVA(X)	BOOK VALUE (Y)	X-X1	Y-Y1	$(X-X1)^2$	$Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	15224.15	14201.00	9756.16	201668401.00	231774743.22	138547228.16
2011-12	3122.83	13420.36	4207.62	7952.37	17704066.06	180106062.53	33460551.06
2012-13	-2647.62	5973.66	-1562.83	505.67	2442437.61	35684613.80	-790276.25
2013-14	-6058.63	-4850.97	-4973.84	-10319	24739084.35	23531909.94	51324856.01
2014-15	-12956.74	-2427.25	-11871.95	-7895.24	140943196.80	5891542.56	93729045.25
TOTAL					387497185.82	476988872.05	316271404.23

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2} \times \sqrt{\sum(Y-Y1)^2}}$$

$$\frac{316271404.23}{\sqrt{387497185.82} \times \sqrt{476988872.05}}$$

$$\frac{316271404.23}{19684.95 \times 21840.07}$$

$$\frac{316271404.23}{429920782.59}$$

Correlation = 0.73

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation between Book Value and EVA but the fact is, Book value is decreasing year by year. Hence it's clear that both EVA and Book values is decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company. I.e. both the variable is moving in a same direction.

CORRELATION BETWEEN EVA AND CAPITAL EMPLOYED

TABLE 14

YEAR	EVA(X)	CAPITAL EMPLOYED (Y)	X-X1	Y-Y1	$(X-X1)^2$	$Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	16443.81	14201.00	8848.49	201668401.00	78295810.67	125657406.49
2011-12	3122.83	14790.73	4207.62	7195.41	17704066.06	51773953.85	30275551.02
2012-13	-2647.62	7308.63	-1562.83	-286.69	2442437.61	82190.01	448047.73
2013-14	-6058.63	-1101.37	-4973.84	-8696.69	24739084.35	75632382.17	43255944.59
2014-15	-12956.74	534.79	-11871.95	-7060.53	140943196.80	49851055.64	83822259.13
TOTAL					387497185.82	255635392.34	283459208.97

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2} \times \sqrt{\sum(Y-Y1)^2}}$$

$$\frac{283459208.97}{\sqrt{387497185.82} \times \sqrt{255635392.34}}$$

$$\frac{283459208.97}{19684.95 \times 15988.60}$$

$$\frac{283459208.97}{314734801.27}$$

Correlation = 0.90

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation between Capital Employed and EVA but the fact is, Capital Employed is decreasing year by year. Hence it's clear that both EVA and Capital Employed are decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company i.e. both the variable is moving in a same direction.

CORRELATION BETWEEN EVA AND RETURN ON CAPITAL EMPLOYED

TABLE 15

YEAR	EVA(X)	ROCE (Y)	X-X1	Y-Y1	$(X-X1)^2$	$(Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	79.11	14201.00	206.50	201668401.00	42642.25	2932506.50
2011-12	3122.83	17.60	4207.62	144.99	17704066.06	21022.10	610062.82
2012-13	-2647.62	-49.33	-1562.83	78.06	2442437.61	6093.36	-121994.51
2013-14	-6058.63	627.87	-4973.84	800.26	24739084.35	640416.07	-3980365.20
2014-15	-12956.74	-1357.22	-11871.95	-1229.83	140943196.80	1512481.83	14600480.27
TOTAL					387497185.82	2222655.61	2932506.50

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2} \times \sqrt{\sum(Y-Y1)^2}}$$

$$\frac{2932506.50}{\sqrt{387497185.82} \times \sqrt{2222655.61}}$$

$$\frac{2932506.50}{19684.95 \times 1490.86}$$

$$\frac{2932506.50}{29347449.53}$$

Correlation = 0.48

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation between Return on Capital Employed and EVA but the fact is, Return on Capital Employed is decreasing year by year. Hence it's clear that both EVA and ROCE are decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company i.e. both the variable is moving in a same direction.

CORRELATION BETWEEN EVA AND NET WORTH

TABLE 16

YEAR	EVA(X)	NET WORTH (Y)	X-X1	Y-Y1	$(X-X1)^2$	$Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	77737.87	14201.00	4333.95	201668401.00	18783122.60	61546423.95
2011-12	3122.83	80340.35	4207.62	6936.43	17704066.06	48114061.14	29185861.60
2012-13	-2647.62	76735.17	-1562.83	3331.25	2442437.61	11097226.56	-5206177.44
2013-14	-6058.63	69820.04	-4973.84	-3583.88	24739084.35	12844195.85	17825645.70
2014-15	-12956.74	62386.16	-11871.95	-11017.8	140943196.80	121391035.42	130802295.83
TOTAL					387497185.82	212229641.58	234154049.64

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2}\times\sqrt{\sum(Y-Y1)^2}}$$

$$\frac{234154049.64}{\sqrt{387497185.82}\times\sqrt{212229641.58}}$$

$$\frac{234154049.64}{19684.95\times 14568.10}$$

$$\frac{234154049.64}{286772364.19}$$

Correlation = 0.82

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation of 0.82 between Net Worth and EVA but the fact is, Net worth is decreasing year by year. Hence it's clear that both EVA and Net Worth are decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company.ie both the variable is moving in a same direction.

CORRELATION BETWEEN EVA AND RETURN ON NET WORTH

TABLE 17

YEAR	EVA(X)	RONW (Y)	X-X1	Y-Y1	$(X-X1)^2$	$(Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	16.73	14201.00	17.98	201668401.00	323.28	255333.98
2011-12	3122.83	3.24	4207.62	4.49	17704066.06	20.16	18892.21
2012-13	-2647.62	-4.70	-1562.83	-3.45	2442437.61	11.90	5391.76
2013-14	-6058.63	-9.90	-4973.84	-8.65	24739084.35	74.82	43023.72
2014-15	-12956.74	-11.63	-11871.95	-10.38	140943196.80	107.74	123230.84
TOTAL					387497185.82	537.91	445872.51

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2}\times\sqrt{\sum(Y-Y1)^2}}$$

$$\frac{445872.51}{\sqrt{387497185.82}\times\sqrt{537.91}}$$

$$\frac{445872.51}{19684.95\times 23.19}$$

$$\frac{445872.51}{456550.73}$$

Correlation = 0.98

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation of 0.98 between EVA and RONW but the fact is, Return on Net worth is decreasing year by year. Hence it's clear that both EVA and Return on Net Worth are decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company.ie both the variable is moving in a same direction.

CORRELATION BETWEEN EVA AND EARNINGS PER SHARE

TABLE 18

YEAR	EVA(X)	EPS (Y)	X-X1	Y-Y1	$(X-X1)^2$	$(Y-Y1)^2$	(X-X1)(Y-Y1)
2010-11	13116.21	38.92	14201.00	40.22	201668401.00	1617.65	571164.22
2011-12	3122.83	7.79	4207.62	9.09	17704066.06	82.63	38247.27
2012-13	-2647.62	-10.79	-1562.83	-9.49	2442437.61	90.06	14831.26
2013-14	-6058.63	-20.69	-4973.84	-19.39	24739084.35	375.97	96442.76
2014-15	-12956.74	-21.72	-11871.95	-20.42	140943196.80	416.98	242425.22
TOTAL					387497185.82	2583.29	963110.72

$$\frac{\sum(X-X1)(Y-Y1)}{\sqrt{\sum(X-X1)^2}\times\sqrt{\sum(Y-Y1)^2}}$$

$$\frac{963110.72}{\sqrt{387497185.82}\times\sqrt{2583.29}}$$

$$\frac{963110.72}{19684.95\times 50.83}$$

$$\frac{963110.72}{1000507.72}$$

Correlation = 0.96

INTERPRETATION

From the above correlation calculation, the result shows a positive correlation of 0.96 between EVA and EPS but the fact is, EPS is decreasing year by year. Hence it's clear that both EVA and EPS are decreasing. Here the correlation we got is positive but because of decreasing trend it will not be worthy for the company.ie both the variable is moving in a same direction.

FINDINGS

- The EVA of the company was highest during 2010 -11 which recorded to Rs 13116.21 lakhs. and it touches to negative value from year 2012-13
- The sales of the company are generally showing a decreasing trend during the period. It was maximum in the year 2010-11
- The book value of the company is showing the difference. It was highest in the year2010-11 at Rs 15224.15 lakhs.

- The capital employed is also showing the difference. It was highest in the year 2010-11 at Rs 16443.81 lakhs.
- The return on capital employed of the company showing a decreasing trend during the period
- The net worth of the company showed a slight fluctuation during the study period. It showed a high value in the year 2011-12.
- The return on net worth of the company showed a decreasing trend during the period. It show a negative balance when year passes.
- The EPS of the company showed a decreasing trend during the period. The value changes from positive to negative when the year passes.
- The correlation between EVA and Sales is positive and the coefficient of correlation is 0.97. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Book Value is positive and the coefficient of correlation is 0.73. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Capital Employed is positive and the coefficient of correlation is 0.90. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Return on Capital Employed is positive and the coefficient of correlation is 0.48. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Net Worth is positive and the coefficient of correlation is 0.82. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Return on Net Worth is positive and the coefficient of correlation is 0.98. i.e., both variables moves in same direction whether it is positive or negative.
- The correlation between EVA and Earnings per Share is positive and the coefficient of correlation is 0.96. i.e., both variables moves in same direction whether it is positive or negative.

RECOMMENDATIONS/SUGGESTIONS

At present the company is not doing well in the market. But some of the suggestions are

- Profit maximization can be achieved through increasing the production capacity. But the fact is that the government is not providing any fund to increase its production capacity and not providing funds to maintain the plant.
- With the EVA analysis company can make a performance analysis which can be used to find out the value of the firm.
- In order to stand in the market, the company should find a suitable investor.
- In order to speed up the investment the company should focus on its credit policy.
- The company must utilize maximum out of its capacity for making the production.

CONCLUSIONS

From the analysis we have calculated Economic Value Added of Hindustan Organic Chemicals Limited, Ambalamugal, Kochi for every financial year between 2010-11 and 2014-15 shows that the value is going down year by year which indicate that the company doesn't have a good amount of profit after providing benefits to its share holders and the company balance sheet shows that the sales is going down so do the profit.

Trend analysis has provided the information of different profitability measures were the graph shows that the line is going down which indicate, the company will not have a good future.

The correlation calculation gave a positive relation between EVA and Profitability measures, but when the company is showing a negative balance during the period simultaneously EVA will also be negative, so the positive correlation shown in the study is not up to worth for the business because both X and Y has a negative effect.

So finally we can conclude that all calculation and analysis i.e. EVA, Profitability measures, Trent analysis and correlation analysis has provided with values that is not helping the firm to with stand its business.

LIMITATIONS

a) The analysis period is limited to 5 years and therefore the outcome may not be generalized.
b) Using secondary data has its own limitations.
c) Since the work has to be completed within a short period time reliability of the work is less.

SCOPE FOR FURTHER RESEARCH

This scope is limited to the operations of Hindustan Organic Chemicals Ltd Kochi. The information obtained from the primary and secondary sources were limited to Hindustan Organic Chemicals Ltd Kochi. The key performance indicators were taken from annual reports and other internal reports of Hindustan Organic Chemicals Ltd Kochi. The information regarding Annual reports, profit & loss Account, Balance Sheet was of every financial year between 2010-11 and 2014-15. Correlation Analysis was done with information available in annual reports. So the scope of the future research will depend upon the future of the company.

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APPENDIX/ANNEXURE

STATEMENT OF PROFIT AND LOSS ACCOUNT OF HINDUSTAN ORGANIC CHEMICALS LIMITED, KOCHI

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue from Operations					
Sale of products	58120.81	43170.47	39325.91	19830.70	13680.32
Other Operating Revenue	17.01	30.30	11.41	31.07	28.62
SUB TOTAL	**58137.82**	**43200.77**	**39337.32**	**19861.77**	**13708.94**
Variable Cost					
Raw materials consumed	31596.89	25653.58	24032.05	12639.33	8920.65
Net increase/decrease in stock	-2260.26	-705.72	3178.51	179.43	-318.57
Excise duty	101.10	104.49	-250.89	-69.06	148.63
Stores and Spares	916.04	929.75	738.87	639.61	360.13
Utilities(power,fuel,water)	7008.61	7454.62	7507.66	4672.72	3492.19
Repairs	264.50	394.24	495.70	492.88	258.30
Total variable Expenses	37626.88	33830.96	35701.90	18554.91	12861.33
Operational Contribution	**20510.94**	**9369.81**	**3635.42**	**1306.86**	**847.61**
Fixed Cost					
Salaries and wages	4942.89	4501.26	4607.38	4753.22	4502.64
Admn.Expenses	600.19	475.52	415.69	411.34	381.95
Selling Expenses	569.36	315.85	366.45	253.95	141.33
Provisions, etc	15.10	1.64	5.15	9.78	236.32
Finance Cost	836.10	928.50	1149.18	2139.64	2391.75
Depreciation	805.19	931.71	898.99	899.34	625.07
Add/Less: Prior Period Adj	7.18	-52.03	64.09	-11.81	-1.25
Total Fixed Expenses	**7776.01**	**7102.45**	**7506.93**	**8455.46**	**8277.81**
Operating Profit	**12734.93**	**2267.36**	**-3871.51**	**-7148.60**	**-7430.20**
Add: Other Income	273.31	335.12	266.33	233.47	171.90
Net profit after Adj	**13008.24**	**2602.48**	**-3605.18**	**-6915.13**	**-7258.30**
Cash profit	13813.43	3534.19	-2706.19	-6015.79	-6633.23
EBIT	13844.34	3530.98	-2456.00	-4775.49	-4866.55
Profit for the year	13015.42	2550.45	-3541.09	-6926.94	-7259.55

BALANCE SHEET OF HINDUSTAN ORGANIC CHEMICALS LIMITED, KOCHI

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
EQUITY AND LIABILITIES					
Share holder's fund					
(a) Share Capital	3342.00	3342.00	3342.00	3342.00	3342.00
(b) Reserves and surplus	74395.87	76998.35	73393.17	66478.04	59044.16
	77737.87	**80340.35**	**76735.17**	**69820.04**	**62386.16**
Non-Current liabilities					
(a) Long-Term borrowings	0.00	0.00	0.00	2500.00	1800.00
(b) Other long term liabilities	0.00	0.00	0.00	0.00	0.00
(c) Long-Term Provision	934.65	1041.75	1088.08	1082.99	1076.05
	934.65	**1041.75**	**1088.08**	**3582.99**	**2876.05**
Current Liabilities					
(a) Short term borrowing	701.04	1466.68	2065.13	2365.83	2186.07
(b) Trade payables	3147.63	2655.51	6133.71	9551.45	7272.28
(c) Short term provision	2212.81	1331.80	1069.17	2013.17	3712.86
(d) Other current liabilities	83.97	196.18	181.69	195.40	242.23
	6145.45	**5650.17**	**9449.70**	**14125.85**	**13413.44**
Total	**84817.97**	**87032.27**	**87272.95**	**87528.88**	**78675.65**
ASSETS					
Non-Current assets					
(a)Fixed assets					
(i)Tangible assets	6868.16	6409.98	5635.19	5311.23	4625.58
(ii)Intangible Assets	285.01	328.62	246.89	166.61	85.99
(iii)Capital Work in progress	64.36	0.00	54.81	7.81	5.65
(b)Non-current investments	7.40	0.00	5.00	5.00	5.00
(c)Long-term loans and advances	68.82	88.39	71.29	55.97	45.01
	7293.75	**6826.99**	**6013.18**	**5546.62**	**4767.23**
Current assets					
(a) Inventories	8362.05	8628.56	4956.18	4790.03	4832.90
(b)Trade receivables	5004.52	2920.96	2809.64	881.62	2161.56
(c) Cash & Cash Equivalents	245.62	294.40	80.74	31.43	67.66
(d) Short term loans @ advances	1522.91	1650.49	2790.31	1674.42	2034.24
(e) Other current assets	236.63	207.89	184.57	161.33	134.65
	15371.73	**13702.30**	**10821.44**	**7538.83**	**9231.01**
Head office Current account	62152.59	66502.98	70438.33	74443.43	64677.41
	84817.97	**87032.27**	**87272.95**	**87528.88**	**78675.65**

A STUDY ON THE PERFORMANCE OF IPOS WITH SPECIAL REFERENCE TO COCHIN STOCK EXCHANGE

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ABSTRACT
Initial Public Offering (IPO) or stock market launch is a type of public offering in which shares of stock in a company usually are sold to institutional investors (that price the company receives from the institutional investors is the IPO price) that in turn sell to the general public, on a securities exchange, for the first time. The researcher took only fifteen sectors and twenty-nine companies for my study which are listed in NSE. The researcher took these sectors and these companies on the basis of the LTP of these stocks which are listed in the NSE website. Mainly my study is to take the returns of these IPOs and to study which sector was performed good and worst for the years 2011-2015. In the year 2011, Packing industry performed good and Electronic and engineering sector performed worst as per my findings. In the year 2012, Infrastructure sector performed good and Jewells and Gems sector performed worst as per my findings. In the year 2013, Retails sector performed good and Service sector performed worst as per my findings. In the year 2014, Service sector performed good and Textiles sector performed worst as per my findings. In the year 2015, Chemical sector performed good and Service sector performed worst as per my findings.

KEYWORDS
initial public offering, ltp (last trading price), nse (national stock exchange).

INTRODUCTION
Initial public offering (IPO) or stock market launch is a type of public offering in which shares of stock in a company usually are sold to institutional investors and retailers (that price the company receives from the institutional investors is the IPO price) that in turn sell to the general public, on a securities exchange, for the first time. Through this process, a private company transforms into a public company. Initial public offerings are used by companies to raise expansion capital, to possibly monetize the investments of early private investors, and to become publicly traded enterprises.

SCOPE OF THE STUDY
As India experienced recession recently, Indian investor will be in dilemma with their investment. They should be guided properly to pull off capital gain. Stock market is the place to acquire money through investment. IPO is the opportunity for investors to make money easily. But the problem is that most investors do not know which type or sector of IPO is profitable. The objective of every investor is to make capital gain by selling IPO. But most of them are not doing any technical approach for buying IPO.

SIGNIFICANCE OF THE STUDY
The purpose of this project is to analyse the performance of IPOs during the financial years 2011-2016 by using the available datas from NSE website. Return Analysis is the statistical tool used for the analysis of data.

OBJECTIVES OF THE STUDY
GENERAL OBJECTIVE
1. To study the general performance of IPO in the Indian Stock Market during the period of 2011-2016.

SPECIFIC OBJECTIVES
1. To analyse if IPOs are in the negative or positive in returns.
2. To analyse the return from IPOs for a specific period of time (1 year).
3. To analyse the sector wise performance of IPOs in Indian Market.

RESEARCH DESIGN

The present study mainly focuses on the following sector & respected companies:

SECTOR	NAME OF COMPANY	FINANCIAL YEAR
ELECTRIC EQUIPMENTS	T D POWER SYSTEMS LTD	2011-2012
ELECTRONIC & ENGINEERING	P G ELECTRO PLAST LTD	2011-2012
FINANCE & BANKING	INDO THAI SECURITIES LTD	2011-2012
	ONE LIFE CAPITAL ADVISORS LTD	2011-2012
	L&T FINANCE HOLDINGS LTD	2011-2012
	MUTHOOT FINANCE LTD	2011-2012
MISC	SRS LTD	2011-2012
PACKING	FLEXITUFF INTERNATIONAL LTD	2011-2012
PHARMACEUITICALS	BROOKS LABORATORIES LTD	2011-2012
	ALKEM LABORATORIES LTD	2015-2016
	Dr. LALPATH LABORATORIES LTD	2015-2016
INFRASTRUCTURE	BHARATI INFRASTRUCTURE LTD	2012-2013
DIAMOND & CUTTING	TARA JEWELS LTD	2012-2013
	PC JEWELLER LTD	2012-2013
	TRIBHUVANDAS BHIMJI ZAVERI LTD	2012-2013
SERVICE	VKS PROJECT LTD	2012-2013
	MT EDUCARE LTD	2012-2013
	JUST DAIL LTD	2013-2014
	SHEMAROO ENTERTAINMENTS LTD	2014-2015
	SNOWMAN LOGISTICS LTD	201-2015
	COFFE DAY ENTERPRISES LTD	2015-2016
CHEMICAL	SHARD CROPCHEM LTD	2014-2015
	S H KELKAR & COMPANY LTD	2015-2016
TEXTAILS	MONTECARLO FASHIONS LTD	2014-2015
POWER	POWER GRID CORPORATION OF INDIA LTD	2013-2014
RETAILS	V MART RETAIL LTD	2013-2014
TRANSPORT	INTERGLOBE AVIATION LTD	2015-2016
FOOD	PRABHAT DIARY LTD	2015-2016

- Type of research – Analytical
- Data source – NSE
- Statistical Tool – Return Analysis
- Period of study – 1.04.2011 – 31.03.2016
- Data collected – Secondary Data

The statistical tool used is Return Analysis.
Return = P1-P0/P0*100
P1 = Price as on 31st March
P0 = Issue Price

LIMITATIONS OF THE STUDY

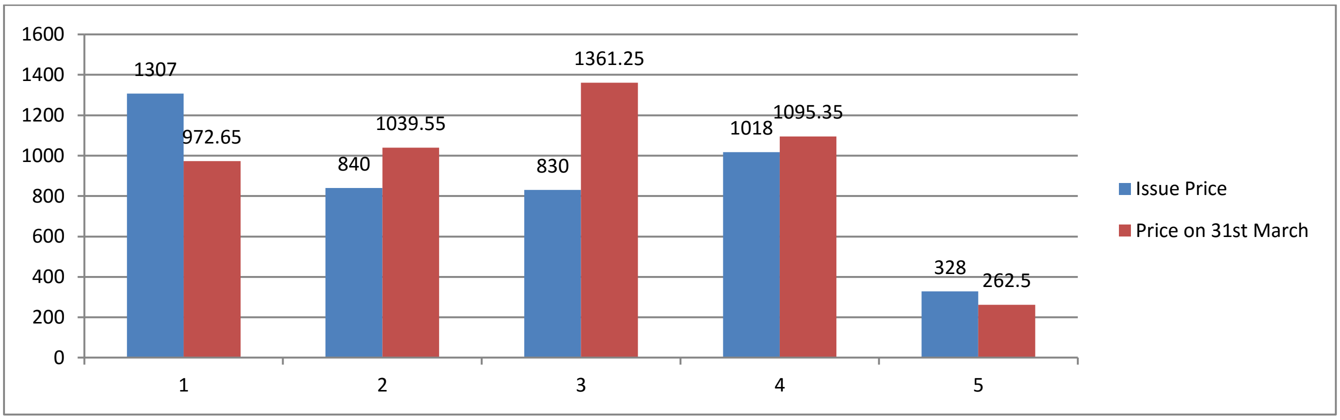
- The study is conducted on the basis of NSE data and is only applicable in India.
- The period of study was limited to data of 5 years (2011-2016).
- The conclusion cannot be conclusive as the market fluctuations are sentimental and unpredictable.

ANALYSIS

TABLE 1

SL No	Sector wise Analysis	Issue Price	Price on 31st March	Difference	% of Increase or Decrease
1	2011	1307	972.65	-334.35	-25.58
2	2012	840	1039.55	199.55	23.75
3	2013	830	1361.25	531.25	64.00
4	2014	1018	1095.35	77.35	7.59
5	2015	328	262.50	-65.5	-19.96
	TOTAL	4323	4731.27	408.3	49.80

FIG. 1



FINDINGS & SUGGESTIONS

IPO FOR THE FINANCIAL YEAR 2011-2012

- On the basis of this study, the return from IPO during this period is negative.
- The companies were divided on the basis of sectors, out of which the return from 4 sectors were negative and 2 sectors were positive.
- The total return loss percentage is 25.58%
- The study shows that the performance of IPOs in this year was fairly poor.

FINDINGS FOR EACH SECTOR IN 2011-2012

1. ELECTRIC EQUIPMENTS SECTOR
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this IPO was positive.
- The return from this sector is 4.45%
2. ELECTRONIC & ENGINEERING SECTOR
- The return from IPO of this sector is negative.
- Only one company came under this sector. The return from this IPO was negative.
- The negative loss percentage from this sector is 45.4%
3. FINANCE & BANKING SECTOR
- The return from IPOs of this sector is negative.
- Four companies came under this sector. Out of which, the return from 2 were negative and 2 were positive.
- The negative loss percentage from this sector is 43.76%
4. MISC. SECTOR
- The return from Ipo of this sector is negative.
- Only one company came under this sector. The return from this IPO was negative.
- The negative loss percentage from this sector is 70%
5. PACKING SECTOR
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this IPO was positive.
- The return from this sector is 22.64%
6. PHARMACEUITICALS INDUSTRY
- The return from IPO of this sector is negative.
- Only one company came under this sector. The return from this sector was negative.
- The negative loss percentage from this sector is 14.35%

IPO FOR THE FINANCIAL YEAR 2012-2013

- On the basis of this study, the return from IPO during this period is positive.
- The companies were divided on the basis of sectors, out of which the return from all sectors were positive.
- The total return percentage is 23.75%
- The study shows that the performance of IPOs in this year was satisfactory.

FINDINGS FOR EACH SECTOR IN 2012-2013

1. INFRASTRUCTUR INDUSTRY
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 49.45%
2. JEWELS & GEMS SECTOR
- The return from IPOs of this sector is positive.
- Three companies came under this sector. Out of which the return from 2 were negative and one was positive.
- The return percentage from this sector is 9.34%
3. SERVICE SECTOR
- The return from IPOs of this sector is positive.
- Two companies came under this sector. Out of which the return from one was negative and one was positive.
- The return percentage from this sector is 33.66%

IPO FOR THE FINANCIAL YEAR 2013-2014

- On the basis of this study, the return from IPO during this period is positive.
- The companies were divided on the basis of sectors, out of which the return from all sectors were positive.
- The total return percentage is 64.00%
- The study shows that the performance of IPOs in this year was good.

FINDINGS FOR EACH SECTOR IN 2013-2014

1. POWER INDUSTRY
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 64%
2. RETAIL SECTOR
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 188.09%
3. SERVICE SECTOR
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 14.8%

IPO FOR THE FINANCIAL YEAR 2014-2015

- On the basis of this study, the return from IPO during this period is positive.
- The companies were divided on the basis of sectors, out of which the return from 1 sector was negative and 2 sectors were positive.
- The total return percentage is 7.59%
- The study shows that the performance of IPOs in this year was satisfactory.

FINDINGS FOR EACH SECTOR IN 2014-2015

1. CHEMICAL INDUSTRY
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 44.26%

2. SERVICE SECTOR
- The return from IPOs of this sector is positive.
- Two companies came under this sector. Out of which the return from both was positive.
- The return percentage from this sector is 79.97%

3. TEXTAILS SECTOR
- The return from IPO of this sector is negative.
- Only one company came under this sector. The return from this sector was negative.
- The negative loss percentage from this sector is 25.62%

IPO FOR THE FINANCIAL YEAR 2015-2016

- On the basis of this study, the return from IPO during this period is positive.
- The companies were divided on the basis of sectors, out of which the return from 1 sector was negative and 4 sectors were positive.
- The total return percentage is 22.08%
- The study shows that the performance of IPOs in this year was satisfactory.

FINDINGS FOR EACH SECTOR 2015-2016

1. CHEMICAL SECTOR
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 43.22%

2. FOOD PROCESS INDUSTRY
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 4.52%

3. PHARMASUTICALS INDUSTRY
- The return from IPOs of this sector is positive.
- Two companies came under this sector. Out of which the return from both was positive.
- The return percentage from this sector is 33.35%

4. SERVICE SECTOR
- The return from IPO of this sector is negative.
- Only one company came under this sector. The return from this sector was negative.
- The negative loss percentage from this sector is 1.96%

5. TRANSPORT INDUSTRY
- The return from IPO of this sector is positive.
- Only one company came under this sector. The return from this sector was positive.
- The return percentage from this sector is 14.21%

SECTOR WISE SUGGESTIONS

- **PHARMACEUITICALS INDUSTRY**
  The Indian Pharmaceutical industry has been witnessing phenomenal growth in recent years. It is driven by rising consumption levels in the country and strong demand from export markets.
- **FINANCE AND BANKING SECTOR**
  Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II.
- **RETAIL SECTOR**
  The Indian Retail sector has come off age. And has gone through major transformation over the last decade with a noticeable shift towards organized retailing.
- **POWER INDUSTRY**
  Power or electricity is very essential constituent of infrastructure affecting economic growth and welfare of the country. Currently, the power sector is at a crucial juncture of its evolution, with many private producers and domestic manufacturers also playing a significant role in various capacities, and greater reliance on markets, subject to regulation.
- **TEXTILES INDUSTRY**
  India is the second largest producer of textiles and garments in the world. The textiles industry has made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings
- **ELECTRONIC & ENGINEERING SECTOR**
  Electronics are ubiquitous in the modern world so the industry encompasses many areas of expertise, including consumer goods, automotive, medical, military and communications equipment. The major players range from Samsung and Apple in consumer electronics to EADS and BAE Systems in defense electronics.
- **FOOD INDUSTRY**
  The food processing industry in India is a sunrise sector that has gained prominence in recent years. Availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth.
- **ELECTRIC EQUIPMENTS INDUSTRY**
  Over and above this, electrical equipment industry continues to face very severe credit availability, enormous delays and non-adherence of payment terms by customers, mainly power utilities, resulting in unmanageable cash flow problems across the sector.
- **DIAMOND CUTTING INDUSTRY**
  In the coming years, growth in Gems and Jewellery/ Diamond Cutting sector would be largely contributed by the development of large retailers/brands. Established brands are guiding the organized market and are opening opportunities to grow.
- **SERVICE SECTOR**
  Services sector growth is governed by both domestic and global factors. The sector is expected to perform well in FY16.

- **CHEMICALS SECTOR**
  The Indian chemical industry is among the established traditional sectors of the country, playing an integral role in the country's economic development. This sector, forming part of the basic goods industry, is a critical input for industrial and agricultural development.
- **TRANSPORT INDUSTRY**
  India started out with a transportation handicap. The tight economic controls that bound our first 45 years held back the development of transportation industries and tangled plans for road systems and bridges. In 1991, India's transformation from a near-closed economy to a fast-changing liberalizer unleashed thrilling economic growth.

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IMPACT OF EARNING PER SHARE ON MARKET VALUE AN EMPIRICAL STUDY WITH REFERENCE TO JK TYRE

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ABSTRACT

EPS is touted as a vital indicator for company's financial health and determining share prices. Impact of earning per share on market value an empirical study with reference to JK tyres is our research area. The objective of the study is to analyse the impact of EPS on Market price of JK tyre, to understand the relationship between EPS and stock price of JK tyre, to explore the comparative analysis of JK tyre with its competitors. The study explores the relationship between the EPS and its market price of the organization. The analysis is done on the basis of the calculation by doing the comparative analysis of the competitors' shows that the fluctuations in the price of the share. This study is mainly concentrated on EPS how market value is effected in the time of EPS declaration with the help of Mean, Standard deviation correlation, Regression, Annova from SPSS software tool.

KEYWORDS

EPS, market price, share, market capitalization, return.

INTRODUCTION

EPS is one of the speculation devices to assess the company performance for short term or long term business. The expected income shall be used to work out for the healthy financial conditions of the company. The generated income from the company after meeting all business cost, depreciation and tax belongs to the equity shareholder. The generated income will be alienated as per the outstanding equity share, the same is referred as EPS.

Earning is an important variable it affects the market value of equity share. Earning profits covering the cost of production adds to its preserve and construct the same. Once a company starts earning attractive sum, the equity share will have more and more demand which will result in increase in market value of the equity. In addition, a statistical study is conducted by using SPSS statistical Package for Social Sciences software tool to evaluate the significant level of impact of EPS and its market share price value.

LITERATURE REVIEW

Dr. Pushpa Bhatta and Sumangala.J.K: According to this study, the cross-sectional time-series data of 50 companies it describes the precise relationship between earning per share of 50 companies and their market value of an ordinary shares. With help of mean median and standard deviation the researcher as find out the relationship between market share and EPS in this paper. The conclusion of this paper to is there is strong relation between EPS of selected companies and their Market value.

Hemadivya and Dr. V Rama Devi: The comparison of different company's like TCS, BHEL & ONGC. They focused on the factors effecting impact of EPS like economic perspective, demand and supply, macro-micro and behavior factors. The factors which are impacting in the change when dividend are declared to share holders of the company. Not only has the impact of market value rather than market value had various factors also impacted on EPS in this study. The researcher concludes the study with various factors affect the EPS.

Dr. Sanjeet Sharma: In this paper the analyses of EPS being the strongest factors of market value is optimistic so, the researcher devices the investors to take care of earnings per share variable in to account before investing in a any company. Where EPS plays a very important role in investment decisions

Bal Krishnan: In this research they deal with correlation and multiple linear regression techniques on 22 firms from 1982 to 1983. Out of 5 variables, EPS remained not important determinant of market value. This is resulting in how dependent variables have relationship on independent in the study.

Malakar, B. and Gupta, R: The research deal with the analysis of 8 important cement companies in India over the period of 20years with five variables are EPS, share price, retained earnings and sales proceeds and dividend factor to find out the significant level of share price of the cement companies.

Dr. Mohammad Fawzi Shubita: This research is all about the relationship between Economic Value Added and EPS from Manufacturing Corporation companies listed on Amman Stock Exchange. The research of analysts' EPS in this case is significant to know the valuation process in the capital markets. Different analysts used economic value added to review and recommend firms

Brandon K. Renfro: In this study they analysis earnings forecast error effect on share price by observe the effect that stock value has to estimate that share value has to forecast errors of EPS. The study is concluded as the effect of analysis EPS estimates revision but did not address the error between analysis forecast and reported EPS.

Setharaman and John Rudolph Raj: in this case EPS reflect the position of the samples and its increase in the price was reflected in the stock exchange and market value but also in the Profit earnings ratio, dividend cover, dividend yield and earnings yield. So it can be concluded that public bank Berhad's EPS figure is positive indicator for long-term investment.

Muhammad Zulqarnain Jatoi, Ghulam Shabir: A study on cement Industry of Pakistan in this study the five researchers explained who Regression impact on earnings per share and Market value of the shares with the help of statistical tool SPSS. They came out with the conclusion EPS is independent variable and Market value is dependent variable where the both variable have strong relation.

NEED FOR THE RESEARCH

The key function of the research is to understand impact of EPS and market price of JK Tyres as well as effect of EPS on the market value of organization and its chosen competitors to do the comparative analysis thought this study we can explore the fluctuation in the share price of JK Tyre from the impact of EPS. As the EPS frames a wealth maximization goal for any organization, there is a need of hour to focus on that.

STATEMENT OF THE PROBLEM

As there was too much variation in the share prices of JK Tyres was high. A study was required to understand the gap of EPS and Market value of JK tyre fluctuation.

OBJECTIVES OF THE STUDY

1. To analysis the impact of EPS on Market price of JK tyre.
2. To understand the relationship between EPS and stock price of JK Tyre.
3. To explore the comparative analysis of JK tyre with its competitors

HYPOTHESIS

H1-There is a significant relation between market value of JK tyre and its EPS
H2-There is a significant impact of earning per share of JK

RESEARCH METHODOLOGY

The data are collected from both source primary source and secondary source for the study

PRIMARY DATA

Primary data has sourced from the interaction of financial manager of the organization

SECONDARY DATA

Secondary data has source from the company website, journals research papers

DATA COLLECTION TOOL

The analysis relation between market value of JK tyre and EPS of the chosen competitors of JK Tyres by using Mean, Correlation co-efficient, Regression, Beta, Standard Deviation, Analysis of variance.

SAMPLING TECHNIQUES

Judgmental sampling

SAMPLE SIZE

Sample chosen for the study includes the four company's data of competitors of JK Tyres like MRF, CEAT, APOLLO, and GOODYEAR for five year 2011 to 2015.

ANALYSIS AND INTERPRETATION OF DATA

A statistical study is conducted by using SPSS (statistical Package for Social Sciences software)
Tool to calculate the significant level of impact of EPS and its market share price value.

JK TYRE MARKET CAPITALIZATION

TABLE 1: TABLE SHOWING MARKET RATE OF EQUITY OF JK TYRE FOR 5 YEAR DATA

Year	Opening price	No. of shares	Market capitalization
2011	135.5	12298992	1666513416
2012	61	12863659	784683199
2013	122	17803895	2172075190
2014	176.75	62096124	10975489917
2015	129.65	110747530	14358417265

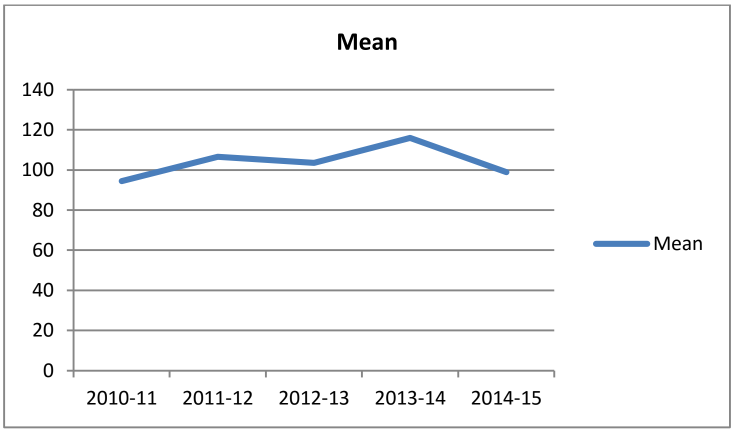
SPSS OF ABOVE TABLE

TABLE 2
Descriptive Statistics

	N	Mean	Std. Deviation	Variance
2010-11	11	94.484258	10.6279394	112.953
2011-12	11	106.491234	11.3828773	129.570
2012-13	11	103.556478	16.6088298	275.853
2013-14	11	115.961315	29.3715643	862.689
2014-15	11	98.851734	16.3448932	267.156
Valid N (listwise)	11			

The above table shows that Arithmetic Mean, Standard deviation and Variance of Market rate of equity of JK tyre for five years from the year 2011 to 2015 considered for the case. The Mean market value as increase from the year 2010-11 to 2013-14, it is lowest in the year 2010-11 where mean is 94.48 but in the 2014-15 it as decline to 98.85, as equity share of Rs.10 are divided into 5equity share face value of Rs.2 from the 18th December 2014.
The Standard Deviation is very high in the year 2013-14 where it shows high risk with highest returns as been proved with respectative variance.

GRAPH 1: MARKET VALUE OF ON MEAN OF JK TYRE



COMPARATIVE ANALYSIS

Comparative analysis of Mean for Market Value of Equity of JK tyre and its competitors.

TABLE 3

Company	Highest Mean among 5 year	Respectative year
JK TYRE	115	2013-14
MRF	105	2013-14
CEAT	112	2013-14
GOODYEAR	105	2013-14
APOLLO	107	2013-14

Analysis

By looking the above data, we analysis that JK tyre as the maximum Mean of 115 in the year 2013-2014 compare to others and the very next close value of CEAT tyre by 112.

EARNING PER SHARE

TABLE 4: DESCRIPTIVE STATISTICS

Year	N	Mean	Std. Deviation	Variance
JK	5	43.00	20.187	407.500
Valid N (listwise)	5			

With the average value of EPS of the JK tyre for a period of 5 years is 43.00 and the highest percentage of dividend is declared in the year 2014-15 of 75% and the lowest percentage of dividend is in the year 2011-2012 of 25%.

GRAPH 2: EPS

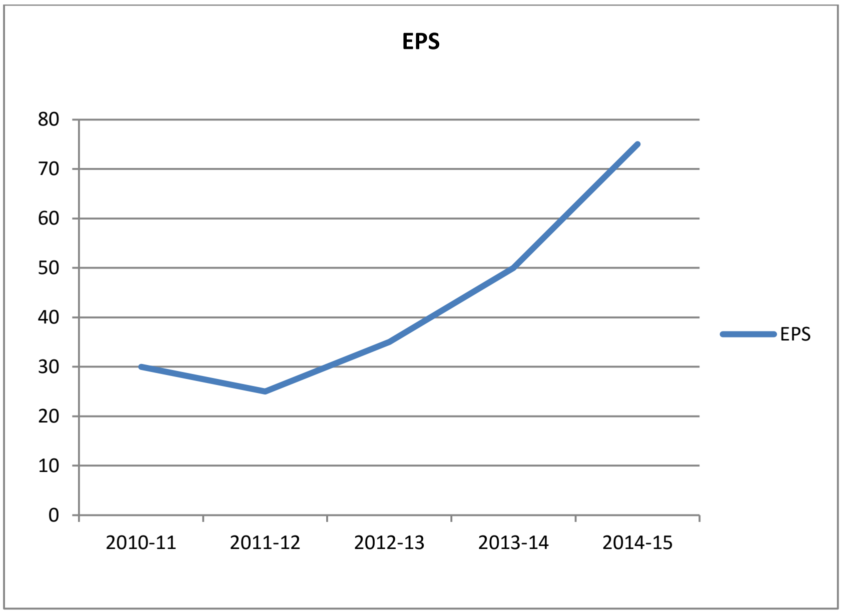


TABLE 5: COMPARATIVE ANALYSIS OF EPS OF JK TYRE AND ITS COMPETITORS EPS (IN PERCENTAGE) OF COMPANY'S

Year	JK	MRF	CEAT	APOLLO	GOODYEAR
2010-11	30	440	20	50	70
2011-12	25	190	10	50	70
2012-13	35	190	40	50	70
2013-14	50	240	100	75	90
2014-15	75	440	100	200	100

TABLE 6: DESCRIPTIVE STATISTICS

year	N	Mean	Std. Deviation	Variance
JK	5	43.00	20.187	407.500
MRF	5	300.00	129.422	16750.000
APOLLO	5	85.00	65.192	4250.000
CEAT	5	54.00	43.359	1880.000
GOODYEAR	5	80.00	14.142	200.000
Valid N (listwise)	5			

In the above data by looking percentage of EPS Mean of MRF is highest up to 300 it is because of the high stock price in the market, where in the case of JK it is 43 mean because of sub-division of share in 18th December of 2014 it is low compare to its competitors.

CORRELATION

Correlation between market value of Equity of JK Tyre and its EPS

Price of JK tyres

TABLE 7

Year	Market value	EPS
2010-11	1666513416	30
2011-12	784683199	25
2012-13	2172075190	35
2013-14	10975489917	50
2014-15	14358417265	75

TABLE 8: DESCRIPTIVE STATISTICS

		Market capitalization	EPS
Market capitalization	Pearson Correlation	1	.960**
	Sig. (2-tailed)		.009
	N	6	5
EPS	Pearson Correlation	.960**	1
	Sig. (2-tailed)	.009	
	N	5	5

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation among market value and EPS with the Pearson correlation. The correlation value of JK tyre is 0.96 which reflect the highest degree with positive correlation. Thus if there is an increase in market value then there will be increase in percentage of dividend in the form of EPS also increase and vice versa at 5% level of significance

REGRESSION

Calculation of Regression for JK tyres between EPS and Market value

TABLE 9: MOEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960a	.922	.897	2.004E9

a. Predictors: (Constant), EPS

The R Squre in above table is 0.922 where the EPS (independent variables) can explain 92.2%of change in the Market value (dependent variable).and adjusted Rsqure shows that 89.7% of the variance between Market price and EPS.

TABLE 10: ANOVAb

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.432E20	1	1.432E20	35.653	.009a
	Residual	1.205E19	3	4.016E18		
	Total	1.552E20	4			

a. Predictors: (Constant), EPS

b. Dependent Variable: MKT CAP

In ANOVA we used EPS as sovereign variable and the above table shows the significant effect of EPS on Market price of JK tyres in the Market.

TABLE 11: COEFFICIENTSa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.754E9	2.315E9		-2.917	.062
	EPS	2.964E8	4.964E7	.960	5.971	.009

a. Dependent Variable: MKT CAP

The above coefficient table explains the Beta contribution of EPS (independent variable) with beta coefficient of 2.96 and significant value of.009 makes the strong contribution in amplification the Market value of JK tyres share. The EPS show impact on Market worth of share significantly. This test suggests there is a strong relation between EPS and Market value.

FINDINGS

EPS MEAN AND STD.DEVIATION VALUES OF JK AND ITS COMPETITORS

TABLE 12

Serial No.	Companies (Tyres)	EPS2011 (%)	EPS2012 (%)	EPS2013 (%)	EPSY14 (%)	EPSY15 (%)	Mean	SD.EPS
1	JK	30	25	35	50	75	43.00	20.187
2	MRF	440	190	190	240	440	300.00	129.422
3	Apollo	50	50	50	75	200	85.00	65.192
4	Ceat	20	10	40	100	100	54.00	43.35
5	Goodyear	70	70	70	90	100	80.00	14.14

MARKET PRICE OF SHARE MEAN AND STD.DEVIATION VALUES

TABLE 13

Sl No.	Companies (Tyres)	MVSY11	MVSY12	MVSY13	MVSY14	MVSY15	Mean	SD.MV
1	JK	135.5	61	122	176.75	129.65	124.9	41.57
2	MRF	7270	6964.6	12879.95	19350	38052.3	16903.	12855.
3	Apollo	67.7	59.25	89	107.9	222.8	109.33	66.20
4	Ceat	135.6	73.5	105.95	322.85	859	299.98	327.48
5	Goodyear	284	294.2	376.95	372.95	630	391.62	140.05

SUMMARY OF FINDINGS

- The comparison of Share price and EPS with its competitors JK tyre both share price and EPS is low.
- The relationship of EPS and Market value. It's as proved (depended variable) EPS as positive relation on (independent variable) Market value in the study.
- The rate of dividend is increase from 50% to 75%. Which shows the positive change in business.
- The correlation value of JK tyre is 0.96 which reflect the highest degree of positive correlation. Thus increase in the percentage of EPS will increase in Market value of JK Tyre or if there is a decrease in the percentage of EPS will decrease in Market value of JK Tyre.
- For testing hypothesis H1 =correlation has been used the result obtain is 0.96 between market value of share and EPS percentage of JK tyre for the past 5 year. So it exhibited the increase in positive degree correlation declaring a significant relationship between EPS and Market value so H1 is accepted.
- H2: for testing H2 the Regression calculation shows 92.2% that there is significant influence of (independent variable) EPS and (dependent variable) market price of JK Tyre. So that factor has a positive increase percentage of R^2 it refers that H2 accepted.

SUGGESTIONS

- The company has already expanded his business in international which is in Mexico and it can be suggested world wide
- To enter into two wheelers and three wheeler business where its competitors have occupied 20% of market in tyre business.
- This study would be useful for investors.

CONCLUSION

The study is about impact on EPS on Market value with reference to JK Tyre. Various factors will affect the Market worth of JK tyre share. Along with them one of the key factor consider for this learning's is EPS therefore the present empirical learning exhibited the impact and relationship between EPS and Market price of JK tyre. We have tested two hypotheses through Regression and correlation model for EPS.Exposed that Market value of share increase with the increase with the increase of EPS of JK tyre or market value of share decrease with the decrease of EPS of JK tyre. The study is based on 5 years data EPS and Market value of JK tyre. It exhibited a positive and important relationship between EPS and Market worth of JK tyre. We have tested both hypothesis with the help of SPSS and it is proved. Hence investor can make decision rational investment verdicts based on this variable while making investment in JK

LIMITATION OF THE STUDY

Authentication of the data depended on company website and this study is only for the JK Tyres it's based on only 5years data of selected company.

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10. Financial Management – Prasanna Chandra 203-205

APPENDIX

JK TYRES BSE DATA

TABLE 14

Year	Open Price	High Price	Low Price	Close Price	No.of Shares
2011	135.5	139.3	53.5	60.7	12298992
2012	61	131	59.3	120.95	12863659
2013	122	177.95	80.05	175.3	17803895
2014	176.75	692	120.8	130	62096124
2015	129.65	138.8	78.25	112.1	110747530
2016	111.4	118.5	84.05	90.15	7824306

SENSEX DATA OF JK TYRES

TABLE 15

Month	Open	High	Low	Close
Jan-11	20621.61	20664.8	18038.48	18327.76
Feb-11	18425.18	18690.97	17295.62	17823.4
Mar-11	17982.28	19575.16	17792.17	19445.22
Apr-11	19463.11	19811.14	18976.19	19135.96
May-11	19224.05	19253.87	17786.13	18503.28
Jun-11	18527.12	18873.39	17314.38	18845.87
Jul-11	18974.96	19131.7	18131.86	18197.2
Aug-11	18352.23	18440.07	15765.53	16676.75
Sep-11	16963.67	17211.8	15801.01	16453.76
Oct-11	16255.97	17908.13	15745.43	17705.01
Nov-11	17540.55	17702.26	15478.69	16123.46
Dec-11	16555.93	17003.71	15135.86	15454.92
Jan-12	15534.67	17258.97	15358.02	17193.55
Feb-12	17179.64	18523.78	17061.55	17752.68
Mar-12	17714.62	18040.69	16920.61	17404.2
Apr-12	17429.96	17664.1	17010.16	17318.81
May-12	17370.93	17432.33	15809.71	16218.53
Jun-12	16217.48	17448.48	15748.98	17429.98
Jul-12	17438.68	17631.19	16598.48	17236.18
Aug-12	17244.44	17972.54	17026.97	17429.56
Sep-12	17465.6	18869.94	17250.8	18762.74
Oct-12	18784.64	19137.29	18393.42	18505.38
Nov-12	18487.9	19372.7	18255.69	19339.9
Dec-12	19342.83	19612.18	19149.03	19426.71
Jan-13	19513.45	20203.66	19508.93	19894.98
Feb-13	19907.21	19966.69	18793.97	18861.54
Mar-13	18876.68	19754.66	18568.43	18835.77
Apr-13	18890.81	19622.68	18144.22	19504.18
May-13	19459.33	20443.62	19451.26	19760.3
Jun-13	19859.22	19860.19	18467.16	19395.81
Jul-13	19352.48	20351.06	19126.82	19345.7
Aug-13	19443.29	19569.2	17448.71	18619.72
Sep-13	18691.83	20739.69	18166.17	19379.77
Oct-13	19452.05	21205.44	19264.72	21164.52
Nov-13	21158.81	21321.53	20137.67	20791.93
Dec-13	20771.27	21483.74	20568.7	21170.68
Jan-14	21222.19	21409.66	20343.78	20513.85
Feb-14	20479.03	21140.51	19963.12	21120.12
Mar-14	21079.27	22467.21	20920.98	22386.27
Apr-14	22455.23	22939.31	22197.51	22417.8
May-14	22493.59	25375.63	22277.04	24217.34
Jun-14	24368.96	25725.12	24270.2	25413.78
Jul-14	25469.94	26300.17	24892	25894.97
Aug-14	25753.92	26674.38	25232.82	26638.11
Sep-14	26733.18	27354.99	26220.49	26630.51
Oct-14	26681.47	27894.32	25910.77	27865.83
Nov-14	27943.04	28822.37	27739.56	28693.99
Dec-14	28748.22	28809.64	26469.42	27499.42
Jan-15	27485.77	29844.16	26776.12	29182.95
Feb-15	29143.63	29560.32	28044.49	29361.5
Mar-15	29533.42	30024.74	27248.45	27957.49
Apr-15	27954.86	29094.61	26897.54	27011.31
May-15	27204.63	28071.16	26423.99	27828.44
Jun-15	27770.79	27968.75	26307.07	27780.83
Jul-15	27823.65	28578.33	27416.39	28114.56
Aug-15	28089.09	28417.59	25298.42	26283.09
Sep-15	26127.04	26471.82	24833.54	26154.83
Oct-15	26344.19	27618.14	26168.71	26656.83
Nov-15	26641.69	26824.3	25451.42	26145.67
Dec-15	26201.27	26256.42	24867.73	26117.54
Jan-16	26101.5	26197.27	23839.76	24870.69
Feb-16	24982.22	25002.32	24187.54	24223.32

CAUSALITY BETWEEN EXPORT AND ECONOMIC GROWTH IN ETHIOPIA

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ABSTRACT

The study checked whether there exists a causal relationship between exports and economic growth in Ethiopia. It employed a secondary time series data ranging from 1970 to 2010. Augmented Dicky Fuller test was utilized to check for stationarity of the variables and are found to be integrated of order one (I (1)). Johansen co-integration method was chosen to verify the long run relationship between the variables and result showed the presence of long run association between exports and economic growth. Granger causality was applied to check the causation between exports and economic growth and Vector Error Correction model (VECM) is employed to estimate Granger causality. The result showed that the economic growth granger causes exports in the long run. On the other hand, the Wald test for short run causation showed as the two variables are independent. Besides, there is no causation coming from exports to economic growth both in the long and short run. Thus, the study suggests that the country do not need to promote export expansion policies with the aim of high economic growth on the expense of other developmental activities. It should devote its resources on the production of goods and services that are not solely for export and this will, in turn, accelerate the growth of exports.

KEYWORDS

Ethiopia, export, granger causality, growth, VECM.

INTRODUCTION

Export plays an important role for economic growth in developing countries. It is a source of foreign exchange, which is meager in developing countries, to import capital goods. As a process exporting provides static and dynamic gains. The former include access to larger outside markets, hence exploiting economies of scale and dynamic gains include efficiency advances as a result of knowledge and technological spillovers from exporting experience.

The export sector in Ethiopia is showing improvements in its performance. In the periods 1984/85 to 1988/89 the average share of exports from GDP was 1.88 percent. This figure has increased to 9.6 percent in the periods from 2004/05 to 2008/09. On average in the last two decades' merchandise exports accounted 4.9 percent of the GDP. Besides, according to the 2008/9 NBE annual report, total merchandize export reached to USD 1.45 billion. Coffee is the main export product claiming 26 percent of the value of total export followed by oilseeds 24.6 percent. Ethiopian exports are dominated by primary products. Agriculture contributes the largest share to Ethiopia's total export earnings. This share has been ranging between 83 percent in 2005/06 to 88 percent in the year 2008/09. (NBE, 2008/09)

Economists have agreed that growth of an economy depends on many factors. Along with other variables, trade is the main determinant of growth. Thus in an attempt to ignite growth, developing countries introduced different trade policies. These policies can be categorized as outward-looking or export led growth (ELG) strategies and inward-looking or import substitution (IS) development policies.

Ethiopia had implemented the IS strategy till 1990s. But due to the reform (1991), success of East Asian countries coupled with failure of the IS strategy, the country introduced export-led growth strategy (ELG). Thus, this study attempts to assess whether the shift from IS to ELG strategy augmented economic growth by checking the existence and direction of causal relationship between export and economic growth.

REVIEW OF LITERATURE

Trade policies that have been implemented by developing countries are categorized as outward-looking and inward-looking. Proponents of trade as the engine of development encourage outward looking trade policies. According to Todaro (1994), the outward-looking development policies encourage not only free trade but also free movement of capital, worker's enterprises and student the multinational enterprises, and open system of communications. In contrast, opponents of the traditional view advocate an inward-looking policy. This policy stresses the need for LDCs to implement their own styles of development and adopt indigenous technologies appropriate to their resource endowments.

During the 1950s and 1960s, following the first export pessimism which was brought up by influential development economists Raul Prebish (1952) and Nurkse R. (1959), led to the adoption of the IS trade strategy by many developing countries. According to Prebish, the terms of trade for primary product exports are deteriorating and hence the main exports of LDCs are declining regardless of the policies of developing countries. Nurkse's export pessimism arose from the view that markets of developed countries could not accommodate imports on a sufficient scale as developing countries accelerated their development. (Bhagwati, 1988)

However, the success of some developing countries especially the four Far Eastern economies has refuted the validity of the first export pessimism which provided the rational for the adoption of the IS strategy in many developing countries. According to Riedel (1984), unlike the view of export pessimists, the export performance of these and other countries is explained by domestic incentives (supply) more than by external (demand) conditions. Besides, developing nations that tried industrialization through import substitution grew at much slower rate than the few developing countries that followed an export-oriented policy. As Kruger (1985) stated development strategy that relies on integration with the world economy, rather than insulation from it, is not only feasible, but preferable.

As a result, many developing nations began to pay more attention to export-oriented policy. The benefits or returns of this strategy are thought to be both numerous and widespread (Bhagwati, 1988 and Kruger, 1985). It is argued that trade according to the principle of comparative advantage yields efficiency in terms of resource allocation. Another gain from adopting the export promotion strategy relates to the economies of scale issue. Advocates of this strategy argue that domestic markets are too small to allow firms to achieve optimal scale. It is through production for sale to foreign markets that firms can achieve increasing returns and, eventually, optimal scale. (Grabowski, 1994)

Regarding the direction of causality between export and economic growth, empirical researches are not conclusive. For instance, the studies by Chow, (1987) for Argentina, Brazil, Hong Kong, Israel, Korea, Mexico, Singapore and Taiwan; and Marin, (1992) for USA found that export causes economic growth. Whereas studies by Oxley, (1993) for Portugal and Ukpolo, (1998) for South Africa indicated that export does not drive economic growth. The study by Kwan *et al,* (1991) for China found a bi-directional causal relationship between export and economic growth. The last group of studies by Ahmad and Kwan, (1991) for 47 African countries; and Jin and Yu, (1996) for USA found no evidence of causal relationship between export and economic growth.

IMPORTANCE OF THE STUDY

Identifying and examining the causal relationship between economic growth and exports is important for policy makers. It helps to design appropriate policies to enhance growth of the export sector in particular and economic growth in general.

STATEMENT OF THE PROBLEM

The proponents of ELG hypothesis postulate that export expansion is one of the prime determinants of economic growth. According to Bhagwati, (1978) and Krueger, (1978) the overall growth of countries economy can be generated not only by increasing the amounts of labour and capital within the economy as the classical economist's postulates, but also by expanding exports to wider markets. (Chandra, 2010)

An export led growth strategy aims to provide producers with incentives to export their goods through various economic and governmental policies. It also aims to increase the capability of producing goods and services that are able to compete in the world market, to use advanced technology, and to provide foreign exchange needed to import capital goods. Exports can increase intra-industry trade, help the country to integrate in the world economy and reduce the impact of external shocks on the domestic economy. Experiences of Asian and Latin American economies provide good examples of the importance of the export sector to economic growth and development, which led economists to stress the vital role of exports as the engine of economic growth.

In spite of the benefit of export promotion mentioned above, influential development economists such as Raul Prebish, (1952) and Nurkse R., (1959), contend that developing countries (LDCs) could not reap the benefits of export. The reason they provide is that the terms of trade for LDCs exports are deteriorating for the pattern of exportable goods is dominated by primary agricultural products and semi-processed agricultural products. Besides, markets of developed countries could not accommodate imports of primary products on a sufficient scale. Moreover, these countries are facing decline in the prices of primary goods in the international market.

In light of this, the question that prevailed is does the ELG strategy brought economic growth in Ethiopia? This question is answered by identifying and examining the causal relationship between economic growth and exports. Thus, the objective of this paper is to examine whether the Export Led Growth hypothesis is valid or not in Ethiopia.

OBJECTIVES

The main objective of this study is to analyze the causal relationship between economic growth and exports in Ethiopia. Specifically the study aims at;

1. Analyzing the long run causal relationship between exports and economic growth
2. Analyzing the short run causal relationship between exports and economic growth

HYPOTHESISES

1. Economic growth granger cause exports in the long run
2. Economic growth does not granger cause exports in the short run
3. Exports do not granger cause economic growth in the long run
4. Exports do not granger cause economic growth in the short run

RESEARCH METHODOLOGY

GRANGER CAUSALITY: EXPORT AND ECONOMIC GROWTH

In multivariate time series analysis, causality test is undertaken to check which variable causes (precedes) another variable. According to Granger (1988), given two variables export (X) and GDP (Y), X is said to cause Y if lagged values of X predicts Y well. If lagged values of X predict Y and at the same time lagged values of Y predict X, then there is a bi-directional causality between X and Y.

According to Granger (1988), the existence of co-integration between X and Y must be checked before running causality test. If co-integration is found, then it exists a causal relationship in at least one direction. To test for causality, first the following co-integrating equations need to be estimated by OLS.

$$LX_t = a_0 + b_0 LY_t + U_{1t} ----------------------- (1)$$

$$LY_t = a_1 + b_1 LX_t + U_{2t} ----------------------- (2)$$

Where LX and LY are log forms of export and GDP respectively.

Assuming that LX and LY are $I\ (1)$, co-integration implies that the residuals U_{1t} and U_{2t} be $I\ (0)$. Having found that the variables LX and LY are co-integrated, the error correction models are formulated as follows:

$$-\Delta LX_t = \delta_1 + \sum_{i=1}^{p} \alpha_{1i} \Delta LX_{t-i} + \sum_{i=1}^{p} \beta_{1i} \Delta LY_{t-1} + \gamma_{1i} U_{1t-1} + \varepsilon_{1t} ------ (3)$$

$$\Delta LY_t = \delta_2 + \sum_{i=1}^{p} \alpha_{2i} \Delta LY_{t-i} + \sum_{i=1}^{p} \beta_{2i} \Delta LX_{t-i} + \gamma_{2i} U_{2t-1} + \varepsilon_{2t} ------- (4)$$

Where γ_{1i} and γ_{2i} are the residual coefficients for a one period lag co-integrating vectors and Δ is a symbol for first difference operator.

The error correction terms, U_{1t-1}andU_{2t-1}, are the stationary residuals from the co-integration equations (1) and (2) respectively. By including these terms in equations (3) and (4), the error correction models introduce an additional channel through which Granger causality can be detected. In equation (3) LY is said to Granger cause LX not only if the $\beta i's$ are jointly significant, but also if γ_1 and γ_2 are significant. The error correction model allows for the finding that LY Granger cause LX as long as the error-correction term carries a significant coefficient even if theβi's are not jointly significant. Thus to determine whether exports granger cause economic growth and vice versa in the short run, we should test the significance of the coefficients β_{2i} and β_{1i} using the Wald test. The error correcting coefficients, γ_1 and γ_2 tells us about the long run causal relationship.

DATA SOURCE

To analyze the casual relationship between exports and economic growth, an annual data from 1970 to 2010 is used. The data are sourced from United Nations Conference for Trade and Development statistical database (UNCTAD-UNCTAD*STAT*). Both of the variables are at 2005 constant prices and exchange rates.

RESULTS AND DISCUSSION

STATIONARY AND NON-STATIONARY SERIES

A time series is stationary if its mean and variance are constant over time and the value of covariance between the two periods depends only on the distance or gap between the two periods and not the actual time at which the covariance is estimated. But most of the time series data have a unit root or they are non-stationary in which we can only study its behavior for the time period under consideration. As a consequence, it is not possible to generalize it to other time periods. In addition if we have two or more non stationary time series, regression analysis involving such time series may lead to the phenomenon of spurious or nonsense regression. Thus, the non-stationary data should be converted to stationary series through differencing. (D. Gujarati, 2011)

TESTS FOR UNIT ROOT

There are several ways of testing for the presence of unit root. The most common one is the Dicky-Fuller (DF) test. The DF test is based on the assumption that the data generating process of the variable being tested is a random walk [auto regressive process of order one (i.e. AR (1)]. However, if the variable follows a higher order auto regressive process, the error term will be auto correlated which will invalidate the use of the DF distribution. The Augmented Dicky-Fuller (ADF) test solves this problem by considering a higher order and augmenting the random walk equation with some more lags. It is suggested to allow both an intercept and time trend in the regression model used to test the presence of unit root. In both tests the null hypothesis is that the variable is non-stationary against the alternative stationary. The null hypothesis is rejected only when there is strong evidence against it at the conventional levels of significant. Thus in this study ADF test is utilized. The result, in table 1 shows that both variables are not stationary at levels. But they become stationary in their first differences, i.e., they are not integrated of order zero or I (0). But as we can see in the table two below both are stationary at 1% level of significance in their first difference and thus are termed as integrated of order one or I(1).

TABLE 1 A: ADF UNIT ROOT TEST RESULT AT LEVEL

Null Hypothesis: LY has a unit root			
Exogenous: Constant			
Lag Length: 0 (Automatic - based on AIC, maxlag=9)			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		2.451997	1.0000
Test critical values:	1% level	-3.605593	
	5% level	-2.936942	
	10% level	-2.606857	
*MacKinnon (1996) one-sided p-values.			

TABLE 1 B

Null Hypothesis: LX has a unit root			
Exogenous: Constant			
Lag Length: 0 (Automatic - based on SIC, maxlag=9)			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.404216	0.8988
Test critical values:	1% level	-3.605593	
	5% level	-2.936942	
	10% level	-2.606857	

Source: Eviews 7 computation

*MacKinnon (1996) one-sided p-values.

TABLE 2 A: ADF UNIT ROOT TEST RESULT AT FIRST DIFFERENCE

Null Hypothesis: D(LY) has a unit root			
Exogenous: Constant			
Lag Length: 0 (Automatic - based on SIC, maxlag=9)			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-4.426362	0.0011
Test critical values:	1% level	-3.610453	
	5% level	-2.938987	
	10% level	-2.607932	

*MacKinnon (1996) one-sided p-values.

Table 2 B

Null Hypothesis: D(LX) has a unit root			
Exogenous: Constant			
Lag Length: 0 (Automatic - based on SIC, maxlag=9)			
		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.158411	0.0000
Test critical values:	1% level	-3.610453	
	5% level	-2.938987	
	10% level	-2.607932	
*MacKinnon (1996) one-sided p-values.			

Source: Eviews 7 computation

CO-INTEGRATION AND ERROR CORRECTION MODEL

There are two common methods for testing co-integration and estimating the relationship among co-integrated variables. These are the Engle and Granger, (1987) two-step procedure and the Johansen's maximum likelihood methods. However, the Engle-Granger procedure has a number of weaknesses. First the test for co-integration is likely to have lower power against the alternative tests. Second, its finite estimates of long-run relationship are potentially biased and third, inferences cannot be drawn using standard t-statistics about the significance of the parameters of the long run model. (Harris, 1995) In addition to the above the test procedure assumes that there is only one co-integration vector, when in fact there could be more, that is any linear combination of these vectors is obtained when estimating a single equation. The Johansen procedure takes care of the above shortcomings by assuming that there are multiple co-integrating vectors.

The Johansen procedure is a multivariate generalization of the Dickey-Fuller test. (Enders, 1995) Under this procedure the variables under consideration are by vector auto regressive (VAR) of lag p given by:

$$Z_t = A_1 Z_{t-1} + A_2 Z_{t-2} + \ldots + A_p Z_{t-p} + \varepsilon_t ------------- (5)$$

Where:

Zt is the (nx1) vector (Z1t, Z2t, …, Znt) and Ai is an (nxn) matrix of parameters. The error term ε_t is an independently and identically distributed n-dimensional vector with zero mean and variance matrix $\sum_{\varepsilon}$.

The above equation can be written in vector error correction model (VECM) as:

$$\Delta Z_t = \sum_{i=1}^{p-1} \Pi\, i\, \Delta Z_{t-1} + \Pi Z_{t-p} + \varepsilon_t ----------------- (6)$$

In the above formulation, the rank of the matrix Π is equal to the number of independent co-integrating vectors. If $\text{rank}(\Pi) = 0$, the matrix is null implying no co-integration. If instead, Π is of rank n, then the vector process is stationary. For cases in which $0 < r$ and$(\Pi) < p$, there are multiple co-integrating vectors and in particular if $\text{rank}(\Pi) = 1$, then there is a single co-integrating vector and the expression $\Pi Zt - p$ is the error-correction factor. The rank of a matrix is equal to the number of its characteristic roots (λi) that differ from zero. Once p and λi 's are estimated, the test for the number of characteristic roots that are insignificantly different from unity can be conducted using the $\lambda trace\ (r)$ and $\lambda max\ (r)$ statistics. (Harris, 1995)

In the $\lambda trace\ (r)$ test statistic the null hypothesis is that the number of distinct co-integrating vectors is less than or equal to r against a general alternative while in $\lambda max\ (r)$ statistics the null is that the number of co-integrating vectors is r against the alternative of $r + 1$ co-integrating vectors.

Since the variables are I (1), the next step is to test whether they are co-integrated. As indicated above, this is done by using the Johansen full information maximum likelihood method. The result of co-integration is displayed in the following table.

TABLE 3: JOHANSEN CO-INTEGRATION RESULTS

Date: 05/03/12 Time: 21:45				
Sample (adjusted): 1975 2010				
Included observations: 36 after adjustments				
Trend assumption: Linear deterministic trend				
Series: LX LY				
Lags interval (in first differences): 1 to 4				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.288448	18.33807	15.49471	0.0181
At most 1	0.155562	3.841466	6.087008	0.0736
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.288448	12.25106	14.26460	0.1016
At most 1	0.155562	3.841466	6.087008	0.0836
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: EViews 7 computations

From table three we can understand that exports and GDP are co-integrated. The trace statistic and maximum Eigen value statistic indicates that the variables are co-integrated at 5% level of significance and there is one co-integrating vector.

TESTING CAUSALITY FROM GDP TO EXPORTS

From equation (3) above, GDP is said to granger cause exports if either β_{1i} or γ_{1i} are significant. If the error correction coefficient γ_{1i} (in the VECM results presented below, γ_{1i} is denoted by C (1)) is found to be negative and significant, then we can claim that GDP granger cause exports in the long run. And this is to be checked from the VECM results presented below. The coefficient of C (1) shows a one period lag residual of co-integrating vectors between exports and GDP.

D(LX) = C(1)*(LX(-1) + 1.20222917994*LY(-1) - 48.0434613208) + C(2)*D(LX(-1)) + C(3)*D(LX(-2)) + C(4)*D(LX(-3)) + C(5)*D(LX(-4)) + C(6)*D(LX(-5)) + C(7)*D(LY(-1)) + C(8)*D(LY(-2)) + C(9)*D(LY(-3)) + C(10)*D(LY(-4)) + C(11)*D(LY(-5)) + C(12) --(7)

Equation 7 is estimated using OLS and the results are presented in table 4a below. The null in the long run causation from GDP to exports is GDP doesn't granger cause exports. This hypothesis will be tasted by checking the sign and significance of coefficient of C (1). The sign of C (1) is negative which is desirable and it is also significant at 5% level. Thus, the null hypothesis is rejected implying the presence of long run causation from GDP to exports.

TABLE 4 A: VECTOR ERROR CORRECTION RESULT

Dependent Variable: D(LX)				
Method: Least Squares				
Date: 05/03/12 Time: 21:26				
Sample (adjusted): 1976 2010				
Included observations: 35 after adjustments				
D(LX) = C(1)*(LX(-1) + 1.20222917994*LY(-1) - 48.0434613208) + C(2)*D(LX(-1)) + C(3)*D(LX(-2)) + C(4)*D(LX(-3)) + C(5)*D(LX(-4)) + C(6)*D(LX(-5)) + C(7)*D(LY(-1)) + C(8)*D(LY(-2)) + C(9) *D(LY(-3)) + C(10)*D(LY(-4)) + C(11)*D(LY(-5)) + C(12)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.260134	0.432978	-2.910351	0.0341
C(2)	0.046441	0.254123	0.182750	0.0641
C(3)	0.430350	0.248157	1.734189	0.0963
C(4)	0.164600	0.235227	0.699747	0.4911
C(5)	0.150634	0.248192	0.606926	0.5498
C(6)	-0.088622	0.258262	-0.343150	0.7346
C(7)	-0.292932	0.814863	-0.359486	0.7225
C(8)	-1.368374	0.735652	-1.860083	0.0757
C(9)	0.120610	0.767273	0.157193	0.8765
C(10)	-0.815527	0.677944	-1.202942	0.2412
C(11)	-0.542277	0.762222	-0.711443	0.4840
C(12)	0.097567	0.067755	1.439995	0.1633
S.E. of regression	0.169854	Akaike info criterion		-0.441894
Sum squared resid	0.663559	Schwarz criterion		0.091368
Log likelihood	19.73314	Hannan-Quinn criter.		-0.257812
Durbin-Watson stat	2.058494			

Source: EViews 7 computations

The presence of short run causation from GDP to exports is tested by checking the significance of β_{1i} from equation 3. The β_{1i} in the VECM are represented by c(7), c(8), c(9), c(10) and c(1i 11). The significance of these coefficients is checked by the Wald test. The null hypothesis in the Wald test is c(7)= c(8)= c(9)=c(10)=c(11)=0. It implies that in the short run there is no causation from a five lags cumulative GDP to exports. The probability of the chi-square value in the Wald test is 43.66% which is greater than 5%. Thus, the null hypothesis is accepted implying there is no causation coming from GDP to exports in the short run.

TABLE 4 B: WALD TEST RESULTS

Wald Test:			
Equation: EQ01			
Test Statistic	Value	df	Probability
F-statistic	0.966642	(5, 23)	0.4585
Chi-square	4.833209	5	0.4366
Null Hypothesis: C(7)=C(8)=C(9)=C(10)=C(11)=0			
Restrictions are linear in coefficients.			

Source: EViews 7 computations

TESTING CAUSATION FROM EXPORTS TO GDP

From the granger causality model given in equation 4 above, exports will granger cause GDP if either β_{2i} or γ_{2i} or both are significant besides the sign of γ_{2i}should be negative. $\gamma_{2i}$is the coefficient for a one period lag residuals of co-integrating vectors. It shows the long run causation coming from exports to GDP. From the table 6a below, we can see that the coefficient of c (1) is insignificant at 5% level. This implies that exports don't granger cause GDP in the long run. The short run effect of exports on GDP which is tested by Wald test indicated that exports don't granger cause GDP.

TABLE 5A: VECM RESULTS

Dependent Variable: D(LY)				
Method: Least Squares				
Date: 05/03/12 Time: 21:33				
Sample (adjusted): 1977 2010				
Included observations: 34 after adjustments				
D(LY) = C(1)*(LY(-1) + 0.831788162097*LX(-1) - 39.9619823928) + C(2)*D(LY(-1)) + C(3)*D(LY(-2)) + C(4)*D(LY(-3)) + C(5)*D(LY(-4)) + C(6)*D(LY(-5)) + C(7)*D(LX(-1)) + C(8)*D(LX(-2)) + C(9)*D(LX(-3)) + C(10)*D(LX(-4)) + C(11)*D(LX(-5)) + C(12)				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-0.115324	0.034087	-3.383219	0.0810
C(2)	0.194654	0.279003	0.697677	0.0742
C(3)	0.758387	0.254327	2.981933	0.0069
C(4)	0.048477	0.263381	0.184058	0.8557
C(5)	-0.519474	0.231897	-2.240106	0.0355
C(6)	-0.193568	0.260757	-0.742328	0.4657
C(7)	0.044781	0.089192	0.502074	0.6206
C(8)	0.144970	0.087360	1.659462	0.1112
C(9)	-0.086503	0.087589	-0.987603	0.3341
C(10)	0.034118	0.085093	0.400946	0.6923
C(11)	-0.111962	0.088708	-1.262135	0.2201
C(12)	0.087410	0.023071	3.788759	0.0010
S.E. of regression	0.057788	Akaike info criterion		-2.593508
Sum squared resid	0.073468	Schwarz criterion		-2.054792
Log likelihood	56.08964	Hannan-Quinn criter.		-2.409791
Durbin-Watson stat	2.085714			

Source: EViews 7 computations

TABLE 5 B: WALD TEST RESULT

Wald Test:			
Equation: EQ02			
Test Statistic	Value	df	Probability
F-statistic	1.189055	(5, 22)	0.3465
Chi-square	5.945273	5	0.3116
Null Hypothesis: C(7)=C(8)=C(9)=C(10)=C(11)=0			
Restrictions are linear in coefficients.			

Source: EViews 7 computations

FINDINGS

The VECM results confirmed that there is only one-way causation in the long run from GDP to exports, i.e. GDP granger causes exports. But in the short run there is no causation coming from GDP to exports. On the other way round, there is no causation from exports to GDP both in the long run and in the short-run. This implies that the Export Led Economic growth hypothesis will not be accepted for Ethiopian economy. The results are summarized in the following table.

TABLE 6: SUMMERY OF GRANGER CAUSALITY BETWEEN EXPORTS AND GDP

S/no.	Null hypothesis	Decision
1a	GDP does not granger cause Exports in the long run	Rejected
1b	GDP does not granger cause Exports in the short run	Accepted
2a	Exports do not granger cause GDP in the long run	Accepted
2b	Exports do not granger cause GDP in the short run	Accepted

RECOMMENDATION

Generally, the study indicated that export does not cause economic growth and this implies that policy makers do not need to promote export expansion policies with the aim of high economic growth. They should devote their resources on the production of goods and services that are not for export and this will accelerate the growth of the economy and there by exports.

CONCLUSION

The objective of this study was to check whether there exists a causal relationship between exports and economic growth in Ethiopia using Granger causality. The causation from GDP to exports is tested for the long run and short run. The result showed that the growth of GDP granger causes exports in the long run. On the other hand, the Wald test for short run causation showed as the two variables are independent. There is no causation coming from exports to GDP both in the long run and in the short run. This may be attributed to the fact that the share of exports from GDP is very low which shows the insignificant role of exports to economic growth and in addition, more than 90% of merchandise exports are primary products. And exports of primary products are not associated with dynamic gains that include efficiency advances as a result of knowledge and technological spillovers from exporting experience.

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OPENNESS AND ITS IMPACT ON INFLATIONARY EFFECTS OF MONETARY POLICY AND INFLATION VOLATILITY IN INDIA

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ABSTRACT

The openness-inflation nexus has been in focus particularly after the seminal paper on the subject by Romer (1993). Economic theory suggests that an economy's openness on the one hand increases the inflationary effects of monetary policy, while on the other reduces the overall inflation volatility. Using quarterly data from the 1971 to 2011 period for Indian economy, the paper's empirical results support the theoretical prediction, that more open the economy, the larger the inflationary effects of a given change in the money supply thereby reducing the incentives for expansionary monetary policy and hence can have disciplinary effect on the monetary authorities. In addition, we also found that opening-up of Indian economy has a negative impact on inflation volatility. Thereby reducing uncertainty in the economy. Assuming that the tendency of Indian economy to open-up to foreign trade will continue, a direct policy implication of our results is that inflation volatility will decrease, and the potency of monetary policy will decline.

KEYWORDS
foreign trade, inflation, inflation volatility, monetary policy, openness.

1. INTRODUCTION

Kydland and Prescott [1977] have demonstrated that monetary policy without precommitment can be inefficiently inflationary. This time inconsistency problem has been widely discussed in the literature. Hardouvelis (1992) argues that although cooperative solution is Pareto superior to Nash solution to the game between central bank and wage setters –as loss function of wage setters remains same and that of central bank is lower, it is time inconsistent because given the expected inflation, there is an incentive to cheat for central bank by expanding money supply. Cooperative solution can prove successful only if central bank precommits itself to an optimal money supply process. However, in his seminal paper Romer (1993) has shown that even in the absence of precommitment openness to trade of an economy can reduce the inflationary bias of monetary authorities. He argues that openness affects the short-run output–inflation tradeoff faced by policymakers in such a way that monetary policymakers in more open countries will be less inclined to boost short-run output. The basic argument is that the incentives to expand are low in highly open economies, and thus that inflation will be low in these countries even in the absence of precommitment. The paper explains this relationship by noting unanticipated monetary positive monetary shocks cause real exchange rate depreciation, and greater the degree of openness of an economy higher the harms of real depreciation; i.e., the benefits from surprise monetary expansion are a decreasing in the degree of openness. Sachsida et al (2003) tries to verify Romer's (1993) hypothesis of negative link between openness and inflation using panel data approach instead of cross section data so that changes over time can be detected in the relation 'openness and inflation' among the variables over time and also to detect typical country specific effects. The study argues that higher the amount of gains in terms product as a result of surprise inflation the greater is the incentive for the government to unleash such a surprise. Another study by Lane (1997), showed that the gains to surprise monetary expansion, and hence the incentives to inflate, are lower in a more open economy, even in an economy too small to affect international relative prices. The study also reveals that, for a given level of openness, the larger is an economy, the more the terms of trade effect reduces the benefits of a surprise monetary expansion. Karras (1999), by using a simple Open-economy model, openness is shown to reduce the ability of money to affect output, while raising its effects on inflation. Bowdler (2006) finds that higher degree of openness reduces the likelihood of large upturn in inflation, both directly as well as indirectly by restricting the impact of general elections in flaring inflationary process. Defining globalisation as trade and financial openness. Badinger (2009) has found that the countries that are more open to both trade and financial flows, have lower inflation rates by reducing inflation bias of central bank and are found to be associated with higher output- inflation tradeoff. The study also finds that there is no robust link between inflation and globalisation for a sample of 25 *OECD* countries and argues that the likely reason for this is that these countries have developed the institutional framework for central banks that help smoothing the distortions arising from time-inconsistency problem. Marzinotto (2009) defined globalisation by equating it to the participation of individual countries in international production chain which is reflected by the share of intermediate inputs in production, produced domestically or imported. The data used in the study supports the models prediction that countries with greater fragmented production systems are characterized by higher price level inertia compared to less integrated economic systems, there by resulting in the flattening of Philips curve in the former. The analysis of Daniels and Hoose (2006) suggest that greater openness raises the sacrifice ratio while diminishing the inflationary bias of discretionary monetary policy in an imperfectly competitive open economy where nominal wages are set in advance of price and output determination in some sectors. The analysis indicates that increased openness should reduce mean inflation. Lo and Granato (2008) has given the empirical evidence for that recent stylized world over monetary policy shift towards inflation has been guided by unprecedented increase in policy response to economic openness. Thus indicating that 1990's global change towards setting low inflation as the main focus of the macroeconomic policy has caused inflationary shocks to die out faster in more open economies. Bowdler and Malik (2005) provides evidence for a negative relation between openness and inflation volatility using a dynamic panel model. Cavelaars (2009) while stressing the importance of international expenditure switching, has found that the impact of an increase in openness on the incentive faced by a central bank is ambiguous in general. He argues that monetary expansion leads to a short-run surplus on the current account, implying that higher openness can make it more attractive to conduct expansionary monetary policy, implying that a worldwide increase in the degree of competition in the goods market may have an adverse effect on monetary policy discipline. He further notes that a decline in monopoly power enhances the expenditure-switching effect of monetary policy, because when competition is high, a change in the international relative price of goods gives rise to a larger shift in demand. Srinivasan, Jain and Ramachandran (2009) find that the trend inflation behaviour in India is fairly common with other developed countries, implying that explanations for inflation must be similar across countries. They lend support to the view that behaviour of inflation over the past in India can be explained as the lack of commitment on part of the institutional structure towards price stability. They also recognize the fact that opening up of Indian economy in 1990 that resulted in lowering sensitivity of domestic inflation to shocks and consequent flattening of Philips curve, can be an additional candidate explanation of inflation behaviour in India.

Given the theoretical background we want to see how opening-up of Indian economy has impacted the effects of monetary policy on inflationary process in India over the time. Following the methodology of Karras (1999), the empirical results lend credence to the theoretical predictions. Openness of Indian economy has increased the inflationary effects of monetary policy and seem to have reduced the inflation volatility. The reduction in inflation volatility implies a greater discipline in the conduct of monetary policy on the one hand and diversified consumption and production on the other hand.

In the following section we discuss the data and method used in this paper, section 3 presents the empirical results and section 4 concludes.

2. METHOD AND DATA

The empirical analysis is carried out by taking quarterly data from 1971Q1 to 2011Q4 on wpi to measure inflation. For measuring output gap, we used data on GDP at constant price. Similarly, to measure openness we used data on value of exports and imports. All the above data ranges for the sample period from 1971Q1 to 2011Q4. The inflation rate denoted as π_t is measured as $\pi_t = \ln(wpi_t / wpi_{t-4})$. The prices of food and energy are used as proxy for supply shocks, which is constructed as weighted average of food-articles and mineral oil prices denoted by θ. For money supply growth, we used M3 as a measure of money supply, which is a very broad measure and widely used. Further, we used conventional measure of output gap (y_t^g) to capture the short run fluctuations in inflation. We measured output gap as the difference between actual output growth and its HP-trend that is ($y_t^g = y_t - y_t'$), where y' is trend in y_t (output growth) obtained by using Hodrick-Prescott (HP) filter. We used the ratio exports plus imports to GDP as a measure for openness, which is denoted as, 'o'. Following Karras (1999), following equations is specified to estimate the inflation

$$\pi_t = c + \sum_{i=1}^{4} \alpha_i \pi_{t-l} + \sum_{i=0}^{1} \beta_i \theta_{t-i} + \eta y_t^g + \sum_{i=0}^{4} \lambda_i m_{t-i} + e_t \qquad (1)$$

In order to allow openness to influence the effects of money on inflation, the coefficients of money are allowed to vary by country and over time in the following tractable way:

$$\lambda_i = \rho_i{}^m + \rho_i{}^o o_t \qquad (2)$$

$$\pi_t = c + \alpha_i \pi_{t-l} + \beta_i \theta_{t-l} + \eta y_t^g + \rho_i^m m_{t-l} + \rho^o{}_i m_t o_t + e_t \qquad (3)$$

In order to capture the impact of openness on inflation volatility we use ARCH model where equation (3) is the mean equation and following is variance equation

$$\sigma_t^2 = c + \phi_i e_{t-1}^2 + \omega \sigma_{t-1}^2 + \psi_i o_t + \beta_i \theta_t \qquad (4)$$

Where c, α, β, η, λ, ρ^m, ρ^o, ϕ, ω and ψ in equations 1, 2,3 and 4 are the coefficients of respective variables.

We also use a simple measure of inflation volatility by taking standard deviation of inflation rate in pre and post reform period. To see whether monetary authorities in India have been more concerned about inflation and its volatility, following Lo and Granato (2008) we measure the inflation shock die-out rate by regressing the inflation rate of the period on its lag value the coefficient of lagged value is taken as proxy for the reaction of monetary authorities towards inflation shocks. The negative and higher the absolute value of the coefficient of lag variable is, the stronger the reaction of monetary authorities for controlling inflation. We characterise the aggressiveness of monetary authorities to counteract inflation shock by following regression

$$\Delta\pi_t = c + d\pi_{t-1} + \mu \qquad (5)$$

Where Δ denotes the first difference operator.

Eq. (5) is similar to an augmented Dickey–Fuller regression. The size of coefficient, d indicates the average "die- out-rate" of the inflation shock. If policymakers act more aggressively to inflation shocks, d would be observed to be negative and larger in absolute value. It indicates a higher speed of mean-reversion in inflation and less persistent inflation shocks.

3. EMPIRICAL RESULTS

In column 2 and 3 of the Table 1, we presented the results obtained from two regression modes. Column 1 of the table estimates a benchmark regression, ignoring the possible effects of openness; i.e. in openness terms of Eq. 2, column 1 imposes openness coefficient to be 0. The results are as expected; inflation rate has some persistence, as indicated by the statistically significant lag terms; only third and fourth lags of money supply are significant. Higher food and mineral-oil prices are shown to affect prices positively but not significantly but first lag has negative and statistically significant impact; output-gap has negative and statistically significant impact. The second column of table shows results for the model including openness interaction term, the results suggest that openness enhances the inflationary effects of money supply. The Durbin-Watson statistic d = 2.11 and R^2 = 0.88. Finally, by using ARCH model to see the effects of openness on inflation volatility were mean equation is same as in model 2 and variance equation includes openness and supply shock variable in variance equation, the results suggest that openness has negative and significant impact on inflation volatility. Additionally, we check the inflation volatility for the period from 1971 to 1991 and then from 1991onwords by simply calculating standard deviation of inflation for two periods separately the s.d of inflation for the two periods are 0.065 and 0.035 respectively thereby indicating that volatility has been reduced to a large extent in the post reform period that witnessed a dramatic rise in India's openness.

TABLE 1: ESTIMATION RESULTS

Variable/Model	(1)	(2)	ARCH
C	0.012 0.009	0.012452 0.0034	0.012 0.083
π_{t-1}	0.988 0.000	0.965460 0.0000	0.988 0.000
π_{t-2}	-0.167 0.096	-0.146390 0.1317	-0.133 0.359
π_{t-3}	-0.111 0.261	-0.089182 0.1750	-0.080 0.418
m_t	0.026 0.697	-0.006898 0.6120	-0.008 0.787
m_{t-1}	-0.002 0.858	-0.023095 0.1699	-0.022 0.600
m_{t-2}	-0.024 0.164	0.042060 0.0123	0.042 0.466
m_{t-3}	0.043 0.013	-0.043084 0.0113	-0.043 0.424
m_{t-4}	-0.044 0.011	0.020987 0.1160	0.023 0.261
θ_t	0.022 0.110	0.334010 0.0000	0.302 0.000
θ_{t-1}	0.356 0.000	-0.245664 0.0000	-0.255 0.000
y_t^g	-0.260 0.000	-0.153529 0.0085	-0.178 0.012
$m_t o_t$	- -	0.329712 0.0028	0.395 0.008
o	Variance eq.		-0.0015 0.000
θ_t	Variance eq.		0.0004 0.179
Dw	2.085	2.116	2.143
R^2	0.875	0.882	0.880

CONCLUSION

This paper has examined whether the effects of monetary policy on prices depend on the openness of the economy and whether openness has any impact on inflation volatility. Theoretically, using a simple open-economy model, openness can be shown to enhance the ability of money, to effect inflation while openness has decreasing effects on inflation volatility. Using quarterly data from the 1971Q – 2011Q4 period for Indian economy, the empirical results support the theoretical predictions: the more open the economy, the larger the inflation effects of a given change in the money supply, and smaller the inflation volatility. Assuming that the tendency of Indian economy to open-up to foreign trade will continue, a direct policy implication of our results is that inflation volatility will decrease, and the potency of monetary policy will decline while its effects will be more quickly absorbed by inflation, thereby will have a disciplinary effect on monetary authorities.

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GROWTH OF EDUCATION IN HIMACHAL PRADESH: AN EMPIRICAL ANALYSIS

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ABSTRACT
Individuals differ in both inherited and acquired abilities, but only the latter differ among countries and time periods. Growth of education deals with acquired capabilities which are developed through formal and informal education at school and at home, and through training and experience. Education is the main indicator of human capital. Education means knowledge and skill embodied in the mind of an individual through learning process. The present article has examined the growth of human capital, especially with respect to growth in terms of educational institutions, number of schools, enrolment, drop-outs, growth in number of teacher's growth of higher education in Himachal Pradesh 1971-72 to 2012-13. The results have revealed that an impressive achievement has been made in educational development in Himachal Pradesh during the period under study, especially in literacy rates, enrolment and number of educational institutions. Despite the impressive achievements in educational development there are some areas of concerns like as, that the number of teachers has increased rapidly, but the percentage of untrained teachers to total number of teachers is rather high in elementary level. It is evident from high teacher pupil ratio that the quality aspect of education has not given proper attention. The pattern of educational expenditure revealed that the state has given substantial support for the advancement of education sector by increasing the pace of public expenditure on education.

KEYWORDS
education growth, enrolment, drop-out in Himachal Pradesh.

INTRODUCTION
Education growth is by all counts the most crucial factor in the process of economic development. For an accelerated economic development, it is necessary that not only the physical but also the human capital is accumulated at a high rate (Ray, 2012). In the present state of technological advancement, it is absolutely essential to regard education and training as the most potential ingredients of capital. The present paper will follow a definition in which Education skill consists of all forms of knowledge acquiring which is defined by the OECD, (2001) as 'the knowledge, skills and competencies embodied in individuals that facilitate the creation of personal, social and economic well being'. It is obvious education are the main components in the human capital formation; however, the focus in the present paper will remain on different dynamics and aspects of education sector only. Education is a panacea for all evils in the Indian economy as is a fact that all the problems of economy are somehow related to education (Dua, 2006). For this reason and perhaps because of the ready availability of data on these aspects empirical growth models have concentrated on the three main levels of education – primary, secondary and tertiary to capture the essence of human capital accumulation process.

Being a key instrument for developing human capability the state of Himachal Pradesh is committed to provide education to all. The concerted efforts of the government have put Himachal Pradesh as one of the leading state in educational literacy. According to the Census of India, 2011 Himachal Pradesh has a literacy rate of 83.84 per cent as compare to 74.04 per cent of national average (Economic Survey, 2011-12). In consonance with the national policy it has been the endeavour of the Government to make educational facilities available within the reach of students. In order to ensure universalization of primary education the Directorate of Primary Education was setup in 1984 further named as 'Directorate of Elementary Education' with effect from 1st November 2005 (Economic Survey, 2011-12). A glimpse of efforts in building its knowledge base can have from states plan expenditure on education. The plan expenditure on education escalated from barely Rs. 50 lakhs during 1st five-year plan to Rs. 1,70,694 lakhs during 11th five-year plan which shows an increase of 3,413 times. The overall better performance of Himachal Pradesh in the field of education is partly due to the level of government expenditure on education in the state. The budget expenditure on education as percentage of NSDP is 6.18 per cent in the state but at the centre it was only 3.74 per cent in 2011. The state does not have any education policy of its own and adheres to the National Policy. In 'Right to Education, 2009' provisions have been made for free and compulsory education for all children till the age of fourteen years (RTE Act, 2009).

OBJECTIVES OF THE STUDY
1. To study the growth of literacy rate, enrolment, drop-out in Himachal Pradesh.
2. To examine the growth of teachers and growth of higher education in Himachal Pradesh.

DATA AND METHODOLOGY
This paper is based on secondary sources of data and the required data have been collected from various published sources of Government of India, Government of Himachal Pradesh and other official agencies. The study covers the period of 39 years since 1971-72 to 2012-13 for the time series analysis of economic growth. Compound annual growth rate has been used to find out the growth rate in education.

Compound Growth = $[(A1/A0)^{1/n} - 1] \times 100$

EMPIRICAL ANALYSIS AND RESULTS
ATTAINMENT IN LITERACY
The state has experienced significant change in the scenario pertaining to literacy. Literacy rate as such is a weak indicator of human capital formation and in its measurement the quality of education gets ignored. However, it is to be noted that the literacy rate has a strong connection with educational progress, which comes from schooling. So schooling leads to a change in literacy level among all sections of society (Gill et. al. 2010). The state of Himachal Pradesh has made significant progress in literacy rate in the last two decades and improved its ranking from 16th in 1971 to 12th in 2011 among 35 states and union territories in India. The overall literacy rate in the state increased from 31.96 per cent in 1971 to 63.86 per cent in 1991 and ultimately to 83.80 per cent in 2011. But in 2011 about 12.6 per cent of the population in literacy eligible category (six years above) was illiterate. The overall female literacy in Himachal Pradesh and India is lower than

that of male literacy. Although the male and female differential is narrowing, yet it is still high. In 1971 the state stood at 8th rank among 17 major states of Indian Union while in 2011 it has improved its rank from 8th to 3rd with 76.60 per cent female literacy rate. The gender gap has declined to 16.68 percentage points in 2011 earlier it was 20.76 in 1971.

Thus the literacy gaps would persist in the state in view of the slower pace of literacy improvements. It seems that until and unless adequate measures are taken, it would take a considerable number of years for the state to eradicate illiteracy. Increase in literacy has been higher in case of female as compare to their male counterparts. This is an encouraging trend indicating that male female differential in terms of literacy has tended to narrow down over a period of time. This has been possible due to the continuous efforts of the government not only to spread educational facilities but also to increase and retain girl enrolment through various incentive schemes for girl students including certain free ships.

TABLE I: GROWTH OF LITERACY RATE IN HIMACHAL PRADESH

Years	Total Literate Population	Male Literate Population	Female Literate Population
1971	31.32	43.2	20.20
1981	42.48	53.19	31.46
1991	63.86	75.19	52.13
2001	86.02	80.02	68.08
2011	82.8	89.53	68.08

Source: Census of India.

In Himachal Pradesh total literacy rate was 31.3 percent in 1971 which has increased to 82.8 percent in 2011. In H.P. total male literate in 1971-72 were 43.20 percent which rose to 89.53 percent in 2011, while in case of female it was 20.20 percent and percent respectively.

GROWING NUMBER OF EDUCATIONAL INSTITUTIONS

In Himachal Pradesh, school education is being imparted through well defined institutional framework consisting of the primary school, middle school and high/ higher secondary school established by the state government and the private sector. A steady increase in the number of educational institutions has been observed. There were total 5,074 institutions in the state in 1971-72 out of which 5,023 were schools. Their number rose to 17,398 and 17,800 respectively in 2012-13. The compound annual growth rate of total number of educational institutions has been registered at 3.18 per cent, while in case of school it was 3.17 per cent 1971-72 to 2012-13 (Table 2). Table also reveals the distribution of schools on the basis of ownership status. The data shows that on the whole there were 4,911 government schools in Himachal Pradesh in 1971, their number rose to 15,218 in 2013.

TABLE 2: NUMBER OF EDUCATIONAL INSTITUTIONS IN HIMACHAL PRADESH (1971-72 TO 2010-11)

Year	*Government Schools*	*Private Schools*	*Total Schools*	*Total No. Of all Educational Institutions*	*Percentage of Govt. Schools to Total Schools*	*Percentage of private schools to Total Schools*
1971-72	4,911	112	5,023	5,074	97.77	2.23
1976-77	5,682	121	5,803	5,865	97.91	2.09
1981-82	7,820	147	7,967	8,025	98.15	1.85
1986-87	8,643	201	8,844	8,927	97.73	2.27
1991-92	9,512	435	9,947	10,024	95.63	4.37
1996-97	10,440	495	10,935	11,009	95.47	4.53
2001-02	13,710	889	14,599	14,705	93.91	6.09
2006-07	14,511	2,042	16,553	17,017	87.66	12.34
2010-11	15,151	2,127	17,278	17,724	87.69	12.31
2013-14	15,218	2,180	17,398	17,800	87.46	12.53

Source:

1. Government of India, *Education in India*, Vol. 1 Ministry of Education and Social Welfare.
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4. Government of Himachal Pradesh, *State Statistical Abstract of Himachal Pradesh*, Directorate of Economics and Statistics, Shimla

The government owned schools, however have grown at the compound growth rate of 3.36 per cent per annum between 1971 and 1991 and, 2.48 per cent per annum between 1991 and 2013. On the other hand, the number of non- government schools have increased from 112 schools (2.23 per cent) in 1971 to 435 (4.37 per cent) in 1991 and to 2,180 (12.53 per cent) in 2013. Among the non-government schools, the compound growth rate worked out to be 7.02 per cent per annum between 1971 and 1991, and 8.71 per cent per annum between 1991 and 2013. Thus the compound growth rate among the non-government schools is much higher than that of the government schools during both the time periods. It can also be noticed that in the state comparatively higher proportion (87.69 per cent) of the total number of schools are under government management than those under non-government (12.31 per cent).

The Government of India, through the Planning Commission has specified distance norms to ensure adequate physical access to elementary and secondary education facilities. This norm, at present, for hill states stands at one primary school within a distance of 1.5 kilometres from a habitation, one middle school within a distance of 3 kilometres from a habitation and a high/ higher secondary school within a distance of 5 kilometres. The Government of Himachal Pradesh is committed to open schools within the specified radius, which have raised the total number of schools at elementary and secondary level in the state. At, present, the government manages an overwhelming majority of all the recognized educational institutions. However, a growing number of non-government schools at all levels, with official recognition, and in many cases, with financial assistance of state government has been found. The growth of private educational institutions has partially met the gap in some -what limited facilities provided by the state. These schools have begun to attract an increasing proportion of total number of students. A closer look at some of the states where privatization is rapidly increasing shows interesting patterns. In urban Haryana and Uttar Pradesh, the migration from government to private schools is very evident since enrolment in government schools is showing an absolute decrease (D' Souza ed. al., 2002). This large growth in the number of private schools reflects the diminishing confidence of the people in government managed schools. These government schools not only lack basic infrastructure facilities, they are also bereft of motivation and commitment among the teachers they employ (Sen et. al. 2010). However, households having higher income and education levels prefer to admit their children in private schools, whereas parents seem to perceive that their child would be imparted qualitatively better education

GROWTH IN ENROLMENT AND DROP-OUTS

There has been an all round increase in the number of educational institutions as seen in the earlier section in Himachal Pradesh in recent years. But the number of educational institutions is not in a very good indicator of utilization of educational services. It indicated only the educational facilities available in the state.

TABLE 3: GROWTH IN ENROLMENT OF STUDENTS IN HIMACHAL PRADESH: 1971-72 TO 2010-11

Enrolment	*1971-72*	*2012-13*	*Percentage Increase from 1971-72 to 2012-13*	*Compound Annual Rate of Growth*
Elementary Level	3,58,466	9,99,000	177.18	2.64
Secondary Level	2,04,589	5,95,720	190	2.76
Total Enrolment in Schools	5,63,055	15,94,720	181.1	2.68
Enrolment in all Educational Institutions	5,82,522	18,30,700	200.17	2.85
Enrolment in all Educational Institutions as percentage of Total Population	16.84	26.69	51.59	1.16

Source:

1. Government of Himachal Pradesh, *Statistical Outline of Himachal Pradesh*, Directorate of Economics and Statistics, Shimla.
2. Government of India, *Selected Educational Statistics (various years)*, Ministry of Human Resource Development of Education, Department of Secondary Education and Higher Education, Planning Monitoring and Statistics Division, New Delhi.
3. Government of India*, Education in India*, Vol. 1, Ministry of Education and Social Welfare.

Enrolment of the students is an important element of educational progress and can provide some indication of the extent to which the available facilities are being utilized. To encourage enrolment, reduce the drop-out rate and enhance the retention rate of the children in school's various scholarships and other incentives namely scholarship for students belonging to IRDP families, pre matric scholarship for S.C. students etc. have been initiated in the state. Table 3 shows the enrolment figures in elementary and secondary level. Enrolment in all educational institutions increased with annual compound growth rate of 2.85 per cent between 1971-72 and 2012-13. In 1971-72 total enrolment as percentage of total population was 16.84 only while in 2012-13 it has increased to 26.69 per cent with an annual growth of 1.16 per cent.

Drop-out is the proportion of children entering the first class of primary school, but do not successfully complete that level in due course. The Table 4 depicts the scenario of drop-out in Himachal Pradesh Since 1970-71 to 2012-13. The data reveal that drop-out rate has been reduced from 67.0 per cent in 1970-71 to mere 0.91 per cent in 2012-13 for classes 1st to 5th. The state has attained 99.10 per cent retention rate at primary level. But the drop-out rate for the classes 1st to 10th is still high (11.72 per cent). Girl drop-out has been found high as compared to boys in each point of time at all the levels of education. The most important reasons for drop-out at the high and higher secondary level are poverty, child labour, child marriage, quantum of home work and requirement of farm and domestic labour.

TABLE 4: DROP-OUT RATE OF STUDENTS IN HIMACHAL PRADESH: 1970-71 TO 2010-11

	Drop-out Rates in Classes								
Year	*1st to 5th*			*1st to 8th*			*1st to 10th*		
	Boys	*Girls*	*Total*	*Boys*	*Girls*	*Total*	*Boys*	*Girls*	*Total*
1970-71	64.50	70.90	67.00	74.60	83.40	77.90	NA	NA	NA
1980-81	56.20	62.50	58.70	68.00	79.40	72.70	79.80	86.60	82.50
1990-91	40.10	46.00	42.60	59.10	65.10	60.90	67.50	76.90	71.30
2000-01	39.70	41.90	40.70	50.30	57.70	53.70	66.40	71.50	68.60
2005-06	7.00	9.00	8.00	10.50	11.12	10.82	22.22	32.32	28.21
2012-13	6.00	8.00	7.00	11.50	12.20	11.30	24.00	34.31	29.31

Source:

1. Government of India, *Selected Educational Statistics*, Ministry of Human Resource Development of Education, Department of Secondary Education and Higher Education, Planning, Monitoring and Statistics Division, New Delhi.
2. Government of India, *Education in India*, Vol. 1, Ministry of Education and Social Welfare.
3. Government of Himachal Pradesh, Directorate of Education, Himachal Pradesh, Shimla.

It is worth noting that in many of the elite schools in the cities for the sake of keeping the standards and prestige of the school high, children who do not make the stipulated benchmark are asked to discontinue studies in the schools. The ephemeral glory is more important to them than the future of a child (Chittattukalam, 2011). Another striking feature has been estimated, that from negligible figures till the early 1990s, almost 12 per cent of elementary school's enrolment in Himachal Pradesh is now in private schools (India Today, 2006). Latest government estimates show that 7 million children are out of school in India. There is a need to further investigate the phenomenon of drop-out in its entire ramification especially since it entails resource waste. This leads to related aspect of the role of the key player i. e. government since education is listed as a concurrent subject.

GROWTH IN NUMBER OF TEACHERS

The constrained supply of public resources and unregulated entry has serious implications in terms of educational participation and outcomes. Despite limited resources, efforts have been made to make the best out of the existing situation. Over the years, as the number of schools gradually increased, it became difficult to provide trained, regular teachers. At times untrained teachers were recruited and in service training was imparted. Table 5 depicts the numeric strength of teachers for the period of 1971-72 to 2012-13. The total number of teachers increased with annual compound growth rate of 2.67 per cent at elementary level and 3.75 per cent at secondary level. The percentage of untrained teachers to total number of teachers as an indicator of low quality of education has increased from 386 (2.60 per cent) in 1971-72 to 2,880 (6.00 per cent) in 2012-13 at elementary level of education. At secondary level it has been observed 735 (11.98 per cent) and 335 (1.092 per cent) respectively. The percentage of untrained teachers to total number of teachers has sharply declined at secondary level. The table also shows that the absolute number of untrained teachers have increased more rapidly in case of elementary education which affect the quality of education.

TABLE 5: GROWTH OF TEACHERS IN HIMACHAL PRADESH

Year	*Elementary Level*			*Percentage of Untrained to Total Teachers*	*Secondary Level*			*Percentage of Untrained to Total Teachers*
	Trained	*Untrain-ed*	*Total*		*Trained*	*Untrai-ned*	*Total*	
1971-72	14,451	386	14,837	2.60	5,398	735	6,133	11.98
1975-76	16,591	77	16,668	0.46	10,001	70	10,071	0.70
1981-82	20,506	66	20,572	0.32	8,786	210	8,996	2.33
1985-86	20,897	482	21,379	2.25	10,556	229	10,715	1.48
1991-92	22,871	1788	24,659	7.25	14,535	244	14,799	1.78
1995-96	34,938	2070	37,008	5.59	16,210	313	16,523	1.89
2001-02	34,580	2435	37,015	6.58	24,230	437	24,667	1.77
2005-06	41,204	2699	43,903	6.15	27,332	343	27,675	1.24
2012-13	45,150	2,880	47,930	6.00	30,330	335	30,665	1.092

Source:

1. Government of Himachal Pradesh, *Statistical Outline of Himachal Pradesh*, Directorate of Economics and Statistics, Shimla.
2. Government of Himachal Pradesh*, Handbook of Educational and Allied Statistics, 1993-94*, Department of Higher Edu. Himachal Pradesh, Shimla.
3. Government of Himachal Pradesh, *State Statistical Abstract of Himachal Pradesh*, Directorate of Economics and Statistics, Shimla.

Several measures have been taken from time to time, to provide the required number of teachers in all educational institutions. In addition to the regular permanent teachers, several other teachers have been engaged on the basis of tenure, para teachers, primary assistant teachers, vidya upasak, adhock teachers, contract teachers and school management committee teachers.

TABLE 6: GROWTH OF HIGHER EDUCATION IN HIMACHAL PRADESH NUMBER OF RECOGNISED INSTITUTIONS (other than schools)

Types Of Institutions	2011-12		2012-13	
	Govt.	Pvt.	Govt.	Pvt.
1.Universities	3	11	5	15
2.Arts and Science Colleges	67	53	74	59
3.Medical Colleges	3		3	
4.Law Colleges	3	6	3	6
5.Sanskrit College	5	17	5	17
6.B.Ed College	3	71	4	71
7.J.B.T. Instutions	12	19	12	20
8.Dental Colleges	1	3	1	3
9.Poly-Technic Institutions	9	20	10	18

Source: Education Department, Himachal Pradesh.

In Himachal Pradesh at present majority of colleges of general education are under government management. Total number of colleges increased from 17 in 1971-72 to 97 in 2012-13. Bulk of the education imparted is in the arts faculty. The number of teachers increased from 488 in 1971-72 to 1,791 in 2012-13. The growth in number of teachers was slow as compare to the growth of students. Because of the less recruitment of teachers at college and university level and rapidly increasing number of students, the teacher-pupil ratio has reached to 1.46 in 2012-13 in relation to 1.25 in 1971-72. Along with 97 colleges of general education at present there are 20 universities, 75 colleges of education, one IIT, one NIT, 56 ITIs, 3 medical colleges and 12 DIETs which are imparting professional and vocational degrees and diplomas (Economic Survey 2012-13). Among these institutions majority of institutions are run by the government bodies. It is obvious that there has been growth in higher education too but still confined to the smallest group of population. In 1981-82, 0.43 per cent of total population was enrolled in the institutions of higher education which has increased to 1.24 per cent to total population in 2012-13. Priority must be given to the backward areas in opening new institutions of higher and technical education.

CONCLUSION

It is clear from the present analysis that an impressive achievement has been made in educational development in the state of Himachal Pradesh during the period under study, especially in literacy rates, enrolment, number of educational institutions. From the point of view of literacy rate, Himachal Pradesh is far ahead of India as a whole and many other states of India. Among the number of institutions, schools form a large number. A close look of schools by type of management reveals that majority of schools are under government control. The vacuum created by the weakening of public sector institutions in education began to be filled by the private sector schools. The private sector institutions being run with sole motive of profit has been charging very high tuition fees. This has led to exclusion of a large section of population from accessing educational services provided in the private institutions. The number of teachers has increased rapidly, but the percentage of untrained teachers to total number of teachers is rather high in elementary level. It is evident from high teacher-pupil ratio that quality aspect of education has not given proper attention. The pattern of educational expenditure has been similar to those followed in many states and at all India level. It has been noticed that the government of Himachal Pradesh has given substantial support for the advancement of education sector by increasing the pace of public expenditure on education. However, public expenditure on education as percentage of NSDP in the state has achieved the goal of 6 per cent as recommended by the Education Commission (1968).

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MARKETING AT THE BOTTOM OF THE PYRAMID: CAN RURAL MARKETS BE DEVELOPED AS BLUE OCEANS

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ABSTRACT

Given that around 70% of India's population lives in villages, a market with immense potential but majorly untapped, the purpose of our Research is to determine "Whether Rural Markets in India can be developed as Blue Oceans". The pace at which urban market hubs are turning to Red Oceans given the intensifying Competition, there is a need for exploring uncontested market spaces driven by Value Innovation making Competition irrelevant (Blue Oceans). The Research Methodology involves analysing data from secondary sources such as Census Reports, Reserve Bank of India web site and Annual Reports of companies that have successfully made their mark in the rural markets. The intended results will reflect strategies adopted by leading companies across Fast Moving Consumer Goods (FMCG), Consumer Durables and Telecom Industries in the rural market. The Research would reflect how Effective use of the "4 As of Rural Marketing" can enable companies to win over the rural mind-set. It discusses development of Rural Markets as Blue Oceans by Growing with them rather than growing at their expense by investing in Corporate Social Responsibility Initiatives and building Distribution Networks. To conclude, the paper emphasizes on the need for adequate disclosure of Rural Accounting and its development as an independent emerging discipline.

KEYWORDS
blue oceans, four A's of rural marketing, rural accounting, value innovation.

INTRODUCTION
More than half of India resides in rural India. When urban markets are almost saturated, it is imperative to shift focus to untapped markets. More over rural markets are not just underdeveloped but also a priority agenda in the government list. So, companies entering into this are not just benefitted by first mover advantage but can also avail government support and earn a brand image for their philanthropies.

As our research title says "Marketing at the bottom of the pyramid", it refers to tapping the lowest segment of the economy through mass marketing. The idea is to penetrate into rural markets and develop distinctive competitive advantage for the long run. This initially will involve huge expenditure on the part of the company but in the long run, they will reap benefits from "blue oceans"(non-competitive market) created in rural India. For now, urban markets are turned into a battle ground for companies which are attacking each other and seizing each other's market and profit shares, making it extremely difficult for others to survive in the industry. In such a scenario, companies have no choice but to go for market expansion to protect themselves against "red oceans". This is possible only through Value Innovation i.e. the innovation by company needs to add a value to the rural consumer in terms of his assessment of the cost incurred by him.

Also rural markets are not the dumping grounds for urban products. It is an evolving market of its own. Rural consumers are very different from urban consumers. Further, there is heterogeneity in rural markets. We have people from different age groups belonging to all class categories-BPL (below poverty line), low income, middle and prosperous groups just like Urban market. However, their taste and preference, consumer psychology varies extensively. PESTLE (political, economic, social, technological, legal) environment is very unique in its own when compared with urban India.

As a result, companies need to come out with new set of strategies and new ways altogether to benefit from this evolving opportunity as there are not just profits but huge risk involved with respect to the possibility of company's failure. So take a big leap into rural market but with caution and pragmatism. Get recognized and also recognize rural needs. Grow along with rural customers and not at the expense of them.

LITERATURE REVIEW
Blue oceans denote all the industries not in existence today- the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. There are two ways to create blue Oceans-

1. Companies can give rise to completely new industries as eBay did with the online auction industry.
2. A blue ocean is created from within a red ocean when a company alters the boundary of an existing industry.

(Blue Ocean Strategy-Harvard Business Review paper)

Instead of competition, Value Innovation is the corner stone of Blue Ocean strategy. It means "equal emphasis on value and Innovation". Value Innovation occurs when co. align innovation with utility, price and cost positions.

Blue ocean Strategy, Principles and actions undertaken in rural context is listed below:

TABLE 1: BLUE OCEAN PRINCIPLES & ACTIONS

PRINCIPLES	RISK TACKLED	ACTIONS
Reconstruct market boundaries	Search	Enter into rural markets
Focus on the big picture, not the numbers	Planning	Mass marketing
Reach beyond existing demand	Customer scale	4 A's Rural Marketing
Get the strategic sequence right	Business	Segmentation, Targeting and Positioning (STP)
Overcome key hurdles	Social and legal	CSR
Build execution into strategy	Management	Turn limitations to advantages

(Source: Chan and Renee. (2005). Blue Ocean Strategy-modified)

WHY RURAL?
As per 15th census of India (Census 2011), approximately 83.3 crore (out of 121 crore) people reside in rural India. That is around 68.84% of total population. "Rural" as per census report refers to all those areas that are not categorised as Urban (see appendix for explanation). Visibility of women has increased both in Rural and Urban areas. There has been an increase of 217.8 million literates since last census, out of this; 131.1 million were in rural areas and 86.6 million in urban areas.

The condition in rural India is improving in terms of literacy, sex ratio and other demographic parameters. Economically too rural contributes more than half towards India's national income.

So not just the saturation in urban markets but healthy prospects of growth also attracts marketing in rural country.

CHARACTERISTICS OF RURAL INDIA

SWOT ANALYSIS

TABLE 2: RURAL SWOT ANALYSIS

STRENGTH	WEAKNESS
• Can be developed as blue ocean • Market size • Increasing purchasing power. • Government support-tax benefits, SEZ, subsidies. • Abundance of cheap labour	• Accessibility of markets-weak distribution network • Lack of education • Rural ideology, primitive mind-set, stereotype image. • Lack of infrastructure • Socio- cultural factors like caste systems, Khap panchayats. • A large dependence on agriculture-seasonal nature • Technologically backward
OPPORTUNITY	**THREAT**
• Untapped potential-hidden demand • Unmet needs / low penetration-existing demand • Change in consumption patterns-shift from gold to land, tractor etc., increasing spending on non-food items. • Urban market saturation- old brands can be revived through rural markets. • Lack of FDI • Increasing awareness about non agriculture activities- handloom industry, small scale industries.	• Can transform into red ocean • Entry of foreign players in future • Long gestation period-slow market growth • Product failure

(Source- self constructed)

METHODOLOGY

Our Research methodology is based on using secondary sources for our Research paper. The method used is Content Analysis. We have considered 4 corporates, well established in distinct industries -FMCG (HUL), Electronics (LG), Telecommunication sector (Airtel and Nokia) and have done a comparative analysis of the techniques employed by them to tap the rural markets.

Taking case study analysis as a base and with the aid of secondary sources like books on Blue ocean strategy, Rural marketing strategies, Scholarly articles, Census web site, Facts about companies from their annual reports, we have come out with a comprehensive Strategy framework compiled under 4 A's of Rural Marketing to be incorporated in the marketing mix of companies wanting to be successful in the rural markets.

RESULTS

A comprehensive case study analysis based on various parameters was undertaken to analyse the roadmap adopted by these companies (spanning different industries) in the rural markets. The purpose is to examine and compare the approach adopted by these cross industrial corporates (encompassing their Business objectives, Investment, CSR initiatives, Networking tactics etc.) to successfully develop rural markets as blue oceans and successfully undertake marketing at the bottom of the pyramid.

TABLE 3: CASE STUDY ANALYSIS

Basis	HUL	LG	Airtel	Nokia
Business Objective (To be achieved in the Rural markets)	Achieving Business goals through Social Goals- Grow with them and not at their Expense.	High technology products at a reasonable price	Connecting people through Wireless Communications	High valued product at affordable price
Investment (The major Investment areas to pursue their Business Objectives in the rural markets)	Distribution, Training rural employees	LG invested in infrastructure. It created regional branch offices and appointed regional managers.	Infrastructure- setting up Mobile towers etc.	Nokia invested in Life Tools (Jeevan Saadhan), an ambitious programme which bundles the handset with a services, all aimed to hook the rural customers.
Innovation (Novelty developed to establish their strong foothold in the rural markets.)	Broke a Glass Ceiling-Built a strong Female Workforce	Autonomy to Regional Managers Highly Decentralized Structure.	Connecting people through a wireless network. Introduced value-added services like fixed duration music radio, job alerts and for consumers buying connections through the IFFCO joint venture—information about produce prices and tips on crop management.	It plans to offer internet based services in micro-finance, agricultural service etc.
Core Competency (Bundle of skills and technologies extending throughout all product lines providing benefit to the rural customer.)	Widespread Distribution network that enabled it to penetrate deep into the rural markets and Brand Strength.	Exceptional passion for technology.	Airtel Service Centres that helped Widen service and roaming distributor helped acquire customers.	Value Addition to the service.
Networking (Forging Strategic Relationships across and beyond the Value Chain to strengthen their rural market presence.)	Initiated a project named 'Gateway to Rural: Beyond FMCG'. In a bid to penetrate deeper into rural India in a cost-effective manner, the company is in talks with telecom firms, banks (SBI) and financial services companies to create a joint distribution model to cover India's 6.38 lakh villages.	LG used local FMCG distributors, wider penetration and cost saving.	Forming relationships with Nokia to bundle handsets with its offer, and other Alliances for distribution and financing.	Nokia entered into partnership agreement with HCL info-systems.
CSR (Corporate Social Responsibility initiatives undertaken in the rural markets)	Initiated programmes for Women empowerment, sensitisation towards benefits of health and hygiene, education etc.	LG launched "Prayas" that works for the upliftment of underprivileged children. It already has a tie-up with another NGO Jan Shikhan Sansthan for generating self-employment opportunities for unemployed in the form of tailoring, knitting etc.	Initiatives to support the livelihoods of rural people through job updates and voice based services on rural health initiatives, farming practices etc.	Nokia's employees provide support to the NGO in terms of help and training in accounts, human resources, IT etc. Environment friendly practices- Use of recycled paper for phone packaging, Clear instructions are provided for correct disposal of used batteries with every handset.
Value sensitivity (Creating value for rural customers by providing benefits that outweigh the costs.)	Offered premium products in small sachets keeping prices as low as Rs. 5-10.	LG colour televisions without 4 speakers- LG "sampoorna" and Cine Plus TV in vernacular languages and 232 GPE frost free refrigerators designed as per rural needs.	Played around with its recharge schemes, introduced life validity connections, micro recharges etc.	Nokia ASHA 200, NOKIA 1100 model-long life battery, pest-resistant covers, radio, alarm clocks, flash lights.
Channel (Distribution channels developed to create Place and Time utility for rural markets.)	Invested heavily to build a strong and deep distribution network of Shakti Ammas later extended to Shaktimaans, Retail Distributors and Stockists, Star sellers etc.	LG built specialized offices called Remote Area Offices (RAOs), and for places where either the population is too small or which are too remotely located to set up a RAO, LG authorized local dealers to act as distributors.	Created a cost-effective, young entrepreneur led distribution channel. Effectively worked around the issue of handset manufacturers not having the relevant distribution networks.	Nokia chooses its local business agent based on the 5C principle-Capital, Credibility, Channel, Cooperation and Control by management. It sells through the mobile service operators such as Vodafone, Carphone Warehouse & the Company's "Nokia Concept Stores".
Localisation (Strategies initiated to establish a "Local Connect" with the rural markets.)	i-Shakti- Information portal for accessing information in local languages on a range of issues- health, education, farming practices. Shakti Vani- vernacular based initiative.	LG, produced television sets with built-in cricket games, on-screen-display (OSD) and manuals in 16 different languages.	Promotions in local languages using local media such as road shows etc. Launched SMS based systems and IVRS in vernacular languages.	Added services like agriculture information on phone. On the rural local needs. Introduced its dust-resistant keypad, anti-slip grip and an in-built flash light.
Customer Experience (Key to build a pool of "delighted rural customers".)	Favourable customer experience by offering them more than just the basic product- created sustainable livelihood opportunities &improving quality of life in Rural India.	LG was able to provide more suitable products and services to the local customers.	In addition to the freedom to communicate, rural consumers are also provided with support to their livelihood through job alerts, weather and price related information.	Customers are acquired and retained through value based services and maintaining Social relations, from the long-time perception.

(Source of table- Self Constructed using Internet)

DISCUSSION

SHIFT FROM 4 P'S OF MARKETING TO 4 A'S OF RURAL MARKETING

Traditionally, marketing Mix as given by Philip Kotler is driven by the 4 Ps of marketing namely:

1. Product
2. Price
3. Place/Distribution
4. Promotion

These four P's of Marketing have a very Company-centric approach. However, with the advent of Rural Marketing, a need was felt to shift from a company centric marketing mix to a more customer or market driven marketing mix.

This gave rise to the concept of 4 A's of marketing which is nothing but the modification of the traditional 4 Ps of marketing centred around the target market i.e. the rural customers. The idea behind this was that rural markets cannot be considered as a dumping ground for the unsold urban goods. It is a market in itself with its own unique characteristics that called for developing a Marketing mix which is more rural market focussed taking into account its distinguishing features.

This led to the shift from the 4 P's of Marketing to the 4 A's of Rural marketing:

Acceptance	-	Equivalent of Product
Affordability	-	Equivalent of Price
Accessibility	-	Equivalent of Place/ Distribution
Awareness	-	Equivalent of Promotion

Companies targeting the rural markets should formulate their Marketing Mix based on these four Parameters in order to ensure success, growth and sustenance in the target rural markets.

FOUR A'S OF RURAL MARKETING

Acceptance

The rationale behind this component of rural marketing mix is to "Try to make what you can sell here (rural markets), rather than just sell what you already make." (Kashyap 2012)

The rural environment must be borne in mind, in terms of their living conditions and how they would perceive and use the product or service. A typical productive asset, one that adds to earnings rather than a mere consumption product, would have greater acceptability in a typical rural household.

Products that show greater versatility and adaptability to rural conditions have an advantage over others.

Strategies

1. Individual Product Decisions

- Quality – Rural markets most often, set their emotional specifications for testing quality of the product. As a marketer, it is essential to understand these emotional cues and translate them into the physical offerings of the products.

Eg. Heavy watches are viewed as High Quality watches.

- Features – Rural markets are eyeing for bundles of features adding value to the basic product at the minimum possible cost. Marketers have to identify features that enhance utility and convenience for rural consumers without escalating costs.

Eg John Deere added power steering to its lower segment of 35-hp tractors

Eg. Chinese models of cell phones have inbuilt loudspeakers, built in torch transforming it into a "personal portable entertainment system that operates without electricity."

- Design and Style - While designing products for rural markets, marketers have to consider factors such as rural environment in which product will be used, its functionality, convenience of operation and cost.

Eg. Chotu Kool refrigerator from Godrej- meets daily cooling requirements of rural people at affordable price.

Eg. Nokia 1100 – basic Phones with long battery lives, monochrome screens, and silicon coated body to resist dust and humidity and a powerful Flashlight useful in times of blackouts.

2. Product Lifecycle strategies

- Lifecycle of Products is often longer in rural markets than in urban markets. (Introduction, Growth, Maturity and Decline). Capitalise on this using innovative-ness, consumer acceptance and winning price proposition.
- Products launched without serious planning die out rather quickly.

Eg. Aim toothpaste from HUL, Ruf –n-tuf ready to stitch denims

- Develop different strategies for different rural markets based on the stage of the market.

Eg. Tractor markets in Haryana are more developed as compared to Bihar.

- Achieve Market penetration through:
  - Re-engineering Products-

Eg. Low price sachets of soaps, shampoos etc. by HUL

  - Influencing Consumer Consumption Patterns-

Eg. Increasing soap usage through Education, Project Shakti, Mobile vans etc.

- Brand Extension or entering new segments at Maturity stage-

Eg. Dabur Hajmola initially targeted children entered the adult market segment

- Technological advancements can hasten decline of products in rural markets.

Eg. VCR to VCD/ DVD Players.

3. Product Branding Strategies

- Develop a brand name using Colours, symbols and visuals to have a high recall value.

Eg. Lal Dant Manjan

Eg. 502 Patakha Chai

Eg. Ghari Detergent

- Creating a Brand Identity- Relate the brand with the rural lifestyle or the rural environment.

Eg. Shree Ultra cement- Jung rodhak (rust retardant) cement.

- Building a brand image- Brand should have a unique personality to establish a rural connect and provide Competitive Advantage.

Eg. Mahindra and Mahindra maintains its Sterling image in rural India.

- Engage Retailers in brand promotion as they have significant influencing power.
- Identify brand stickiness and convert it to brand loyalty by creating awareness.
- Check for piracy and Redress Customer grievances effectively due to the proliferation of Fake brands.

Eg. Coca Cola put in place 48 Response Coordinators to tackle customer complaints about over-charging and spurious bottling.

4. Packaging

- Packaging materials should be able to withstand extreme weather conditions.

Eg. FMCG products use plastic and tetra packs for packaging.

- Small packets and convenient to use.

Eg. Sachets for shampoos like Chik, Sunsilk etc.
Eg. Godrej introduced Chotu Kool refrigerators.
- Storage value of the Packet.

Eg. Marico introduced Parachute coconut oil in INR 1 plastic bottles (easy to use)
Eg. Fair and Lovely cream packaged in bottled tubes.
- Packaging Aesthetics- Use bright colors, symbols etc. to draw the rural consumers and spread product awareness.

Eg. Tiger biscuits come in attractive Red packs.
Eg. Rin detergent effectively uses Sparkling White color to communicate brand benefits.

5. Product Warranty and After-sales Service
- Product Warranty is greatly desired by rural markets.

Eg. Polar fans offer 7-year warranty for its product
- Invest in creating a robust after sales services infrastructure.

Eg. Videocon sends its mechanics to villages twice a week to provide after sale services.

Affordability

Affordability means that the commodity should be within their purchasing capacity. Rural Customers are price sensitive. But they are driven by value proposition, and not just by cost. It is vital to design a product or service that caters to the needs of the rural consumers in their unique environment and provides value as per perceived by them.

Strategies
1. Target pricing: Companies determine a target price beforehand and accordingly add features to the product considering the value perception of customers. For example, Gillette came out with Rs. 5 Gillette Guard to meet the key needs of safety and affordability of rural customers. HUL came out with rupee.1 sachets for shampoos.
2. Price points: A customer generally has a maximum and minimum price perception of a product in their mind. Thus perceiving that, company can have its own minimum and maximum price range and price products according to situation's demand within that range.
3. Create jobs: - it is very important to recognize the interdependence of rural customers and companies for each other's survival. One can simply create jobs and ensure affordability through their customer's growth. It is possible only when one realizes entity's growth is with their customer's growth. For example, in project Shakti, HUL created financial empowerment among women and ensured higher affordability.
4. Cost leadership: - Catering to rural markets can also enable one in curtailing down its overall cost of production in terms of rent paid for rented buildings, warehoused or lease on land will be cheaper. For example, Walmart could become cost leader by reducing its cost significantly through its opening of outlets in the outskirts of the city.
5. Backward integration: - From the company's angle, company can even be self -sufficient in its own raw material requirement and thus substantially reduce raw material cost. For example, Nirma adopted a backward integration which reduced its cost by twenty-five per cent. So Nirma's USP in the market is low price.

For rural customer's affordability is indeed a very sensitive issue as they simply can't afford to go wrong in whatever they buy. But saying that rural market is price conscious will be wrong too. They are value conscious. They always have this cost benefit equation in their mind somewhere. If benefits exceed cost, they are delighted and more likely to be the constant users of the product.

Awareness

Awareness is a two-way process. It's not just about informing customers about products and mere promotion of it but first and foremost understanding the rural needs and mind-set. That is company gets aware about people while making them aware about their existence.

Rural people are appreciative and also fearful by nature. Marketer need to know that if they come out with something new, it has an advantage of directly appealing to people but they still feel less enthusiastic about going ahead with its purchase because of their fear of its failure. Secondly rural people are also considerably more spiritual. Any action of marketer against their belief and mythology can bring back the company to the start point, and this time with a bad image.

Keeping in mind this we can list down few strategies in this area:
1. **Crowd sourcing**- This simply means involving local people in your marketing strategies. It is not just the company's management or employees but also the customers who are full of ideas. Customers can themselves be marketers for the company. Not just by Word of mouth marketing but also through a deliberate strategy of the company. For example, in project Shakti HUL in a way created a networking group of customers and made them feel like not as customers but the employees of the organization.

Crowd sourcing doesn't mean creating jobs, hiring customers and sharing their ideas but simply considering customers as a valuable source of information. One can just have innovative ideas from the people who are actually using the product.

2. **Guerrilla marketing**- It refers to catching the customer completely unaware. It aims at creating awareness in the most unexpected way possible. The prime tenets of a maximum impact guerrilla marketing campaign are low budget, high exposure and originality of thought. For example, people running around in Gajjini haircuts to promote Gajjini, promotion of Kahaani movie by Vidya Balan with a swollen belly.

In other words, Guerrilla marketing is all about out of the box thinking.

3. **Emotional and functional appeals** - Rural consumers are spiritual and very committed towards their own communities. They are family centered people. So messages that play on qualities like love of family, pride for country, humour, or hit their religious sentiments etc. are able to stir up negative or positive emotions that can motivate purchase. For example, in an add by Birla cement a grandmother was shown refusing the marriage proposal for her granddaugh-ter by saying "chuna lagane wala hame bhi chuna lagaega" but she agreed when she learnt that groom uses Birla cement.

On the other hand, it is argued that functional appeals tend to attract more customers than emotional appeals. Functional appeals are based on the concept of promoting the purpose for using the product. For example, Lux looks for pure and mild functional elements.

However, as a marketer both emotional and functional appeals can do the job. They can be simultaneously adopted as a strategy. For instance, HDFC life insurance plan advertisements, "Na sir jhuka hai kabhi aur na jhukaenge kabhi", have both emotional and functional appeals as it tends to fulfil the real need (after retirement needs) by hitting emotional sentiments.

4. **CSR**- CSR can be used as a very effective Promotional strategy with the twin objective of achieving Business Goals by doing Social Good. Given the rural environment and the living conditions of the rural people, CSR can be used as an effective trump card by businesses to create a favourable position in the minds of the targeted rural markets and gain Sustainable Competitive Advantage. Given the current legal scenario where CSR has been made mandatory by law, Marketers should strategically use it to create winning propositions for their products in the minds of the rural customers.

Eg. HUL through its Innovative Project Shakti empowered rural women by creating employment opportunities and built a strong rural distribution network of Shakti Ammas that enabled it to achieve an unparalleled degree of market penetration into the rural markets. It is now considering to encash upon its strength by entering into agreements with non-competing firms to tap the rural markets using its distribution network. Above all, HUL has created a very favourable Brand Image in Rural India owing to its commitment to contribute towards social welfare while achieving its business goals.

Eg. Lifebuoy soap launched the "Hand wash Campaign" to create cleanliness awareness especially among rural school children and in the process accelerated the sales for its product in the rural markets.

Availability

It simply means the product has to be within reach of customer. It throws light on rural distribution system.

Above case studies show that some companies have incurred heavy cost in establishing its distribution network which they then rent out to other entities. It helps them giving a first mover advantage in terms of well established distribution network and also benefit by outsourcing its distribution services to others.
While some invests, others simply enter into partnership ties to bring down their cost of distribution and rather focus on their distinctive competitive advantages. In short the focus is on bringing product to the customer. There is no well definite channel for the same.

1. **Tie ups**- Some companies like LG, Nokia, Airtel (as discussed above) and many more do not have their own distribution networks rather make use of the networks of other FMCG distributors.
2. **Road side selling**- Perishable items like fruits and vegetables are being sold conventionally by directly selling by the side of the road. This concept of direct selling has been extended by products like Nirma sold through bicycles, HUL products through mobile vans in rural India.
3. **Door to door selling**- The project Shakti of HUL best illustrates this. Rural people can themselves be salesmen for rural products. The idea is your neighbour will sound more convincing then the foreigner of your town. In addition to this, company saves on its cost and benefits from overcoming lack of accessibility problems in less connected areas of the country.
4. **Selling through post**- Companies can have tie ups with post offices and utilize Indian postal services for selling cheap, durable products to especially non connected areas. For example, Information technology and communication devices maker Pantel Technologies Pvt. Ltd. has tied up with India Post to take its low-cost feature phone to rural areas.
5. **Regional centres**- One another way is to open company's regional outlets cum service centres that could sell as well as cater to after sale problems. For example, Mobile hot spot outlets, LG regional branches and BPO centre.

Thus as LG rightly says "Different models, different channels" strategy. Hence various channels can be adopted in combinations depending upon regional transportation and communication infrastructure, product specifications, mindset of consumers etc.

NEED FOR FINANCIAL DISCLOSURE OF RURAL ACCOUNTS BY COMPANIES

Rural Accounting here refers to Separate and Mandatory Disclosure of Results from Rural operations in the Financial Statements of Giant Companies catering to the Indian Rural and Urban Markets.
As per Status Quo, the Financial information available in the Annual Reports of the Companies is not segregated for the Urban and Rural segments. Companies do disclose profits from overseas operations in its annual reports. Also in their segmented reports, they disclose profits of each product or service or business unit separately, often disclosed in notes to accounts. The problem is these corporates do not have a rural segmentation and disclosure of its profitability. Thus no Empirical Analysis is possible to account for corporate rural profitability separate from urban corporate analysis.
Rural Accounting will not only lead to greater Transparency in reflecting a true and fair view of the Companies' operations in the rural markets but also enable them to gauge their current position and thus strategize to reach the desired position in the future.
Also, Rural Accounting will ensure greater Accountability on the part of the Companies in terms of allocation of funds and resources and delivering goods and services to satisfy their Rural customers.
Thus, there is a lot of scope of Development of Rural Accounting as a separate branch of Accounting especially with Rural markets emerging as the Blue Oceans.

CONCLUSION

The objective of our Research was to ascertain "Whether Rural Markets in India can be developed as Blue Oceans".
Given the vast population residing in rural areas (70%) and the pace at which urban hubs are turning into Red Oceans, Rural markets by their very nature have immense potential to be developed as Blue Oceans.
Data from Secondary sources was collected and analysed to understand the nature of Rural Markets and their innate potential to become Blue oceans in the marketing arena by developing a SWOT Matrix for the Indian rural markets.
Strategies adopted by companies across various Industries such as Consumer Durables(HUL), Telecom(Airtel) and Electronics (Nokia and LG) were studied to understand the Modus Operandi of these companies and the reasons for their success in establishing their strong foothold in the rural markets.
The Analysis reflected that driven on Value innovation these companies were successful in tapping the largely uncontested rural segment by winning over the rural mind-set and have built a Sustainable Competitive Advantage for themselves by investing in CSR initiatives and mainly by propagating the belief of "Growing with them (rural markets) rather than growing at their expense."
Rural markets can no longer be considered as a dumping ground for the goods unsold in urban markets.
Thus, there is a need to evolve the Marketing Mix in light of the markets being catered to. From the Four Ps of Marketing there has to be a transitional shift to the Four A's of Rural Marketing namely Acceptance, Affordability, Availability and Awareness driven on the winning proposition of Value Innovation.
Through the course of our Research, we realized on the importance of Rural Accounting i.e. Separate and Mandatory Disclosure of Results from Rural operations in the Financial Statements of Giant Companies catering to the Indian Rural and Urban Markets to facilitate Empirical Analysis, Transparency and fixing Accountability. There is a lot of scope of Development of Rural Accounting as a separate branch of Accounting especially with rural markets emerging as the Blue Oceans.

LIMITATIONS

During the course of our Research we faced certain limitations that provide room for future Research:

1. Our Research was based on the Strategies adopted by Four major companies namely HUL (Consumer Durables), Nokia and LG (Electronics) and Airtel (Telecom) for tapping the rural market segment, which is not a comprehensive representation of their Industry and neither of the different Industries operating in the market space.
2. Secondary sources of data have been used due to time constraint and geographical constraint of accessing the rural markets all over India.
3. The study is limited to the Indian rural markets and can be extended to a global level across different countries.
4. The strategies discussed take a Pan –India view although in reality the rural markets are heterogeneous throughout the country.
5. Also given the variations across the various industries, Generic strategies should be evolved to develop more Industry –specific strategies to tap the rural markets.
6. The Research is based on Content Analysis and does not involve Empirical Study due to non-availability of data on the Company operations in the rural segments. This highlights the need and scope of development of Rural Accounting as a separate branch of accounting as discussed in the Research Paper.

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APPENDICES

1. Difference between red ocean and blue Ocean

TABLE 4: RED OCEAN V/S BLUE OCEAN

RED OCEAN (URBAN AREA)	BLUE OCEAN (RURAL MARKETS)
Compete in existing market space- market saturation.	Create uncontested market space- potential markets
Beat the competition- FDI, MNCs etc.	Make the competition irrelevant- value innovation
Exploit existing demand-product improvement.	Create and capture new demand- market expansion and diversification
Make the value-cost trade off.	Break the value-cost trade off

2. Explanation of Urban Unit (or Town) (as per census report 2011)

All places with a municipality, corporation, cantonment board or notified town area committee, etc. (known as Statutory Town) other places which satisfied the following criteria (known as Census Town):

- A minimum population of 5,000;
- At least 75 per cent of the male main workers Engaged
- All in non-agricultural pursuits; and
- A density of population of at least 400 per sq. km.

3. State-wise rural market size

FIGURE 1: STATE - WISE RURAL MARKET SIZE


STATE -WISE RURAL MARKET SIZE

State-wise Rural Market Size

Try these as sales targets.

	Rural		Rural
Uttar Pradesh	1,465,276	Uttaranchal	147,957
Andhra Pradesh	1,306,111	Tripura	65,932
Maharashtra	1,263,129	Delhi	49,438
West Bengal	1,227,026	Goa	42,922
Gujarat	864,507	Meghalaya	41,891
Karnataka	700,436	Nagaland	40,775
Rajasthan	620,824	Manipur	38,445
Tamil Nadu	614,221	Arunachal Pradesh	18,305
Kerala	603,273	Sikkim	12,776
Orissa	572,539	Pondicherry	8,139
Bihar	570,616	Mizoram	7,732
Haryana	534,550	Andaman & Nicobar Islands	6,228
Madhya Pradesh	511,021	Daman & Diu	5,449
Punjab	398,668	Chandigarh	5,251
Jharkhand	377,211	Dadra & Nagar Haveli	3,491
Assam	368,801	Lakshadweep	1,541
Chhattisgarh	338,589	Total	13,170,187
Himachal Pradesh	184,042	Figures in Rs million	
Jammu & Kashmir	153,073	Source: Indicus Analytics; www.indicus.net/products	

Source: Business Today, April5,2009.

4. Rural Income distribution pattern

FIGURE 2: RURAL INCOME DISTRIBUTION

Rural Income Distribution

Rural India is generating more than half of the national income.India's 58% disposable income comes from its rural parts where 41% of the country's middle class homes are located

Consumers Class	Annual Income	1995-96 in %	2006-07 in %
Very Rich	Above Rs. 2,15,000	0.3	0.9
Consuming Class	Rs.45,001-2,15,000	13.5	25.9
Climbers	Rs.22,001-45000	31.6	49.0
Aspirants	Rs.16,001-22,000	31.2	14.0
Destitute	Rs.16,000& Below	23.4	11.1

Source:Rural Network Rao N.J, Marketing Mastermind,

5. Rural India consumption pattern

FIGURE 3: INDIAN MARKET STATISTICS

FACTS ABOUT RURAL MARKET

The Indian Markets

2007	Number of Towns/villages	Population (in crore)	Contribution to FMCG sales(%)	CAGR* (%)
Metro	35	11	28.7	7.8
Class-1	359	9	18.7	2.8
Urban rest	3,974	9	22.4	2.5
Rural	585,764	75	30.1	1.9

*Compounded annual growth rate Source: ACNielsen ORG-MARG

25% of urban → consumes 70%

75% of rural → consumes 30%

6. Sectoral Consumption

FIGURE 4: SECTORAL GROWTH RATE

Rural v/s Urban:

Sectors	Urban	Rural
FMCG (Growth rate in 2008)	17%	20%
TELECOM (subscriber base grew in Q1 to Q2 FY'09)	70.83 to 90.98 million (29% growth)	215.95 to 224.33 million (71% growth)
LIFE INSURANCE (no households stack in 2008)	23.3 million	26.39 million

Chart: 1 Source: BT

Source: Business Today, April5,2009.

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