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# THE INDIAN JOURNAL OF COMMERCE

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July-September 2017

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## NOTES FOR CONTRIBUTORS

Our global and political environment is bubbling with great hopes and aspirations of pink health and rising graph of Trade, Industry and Commerce all around. As such, it becomes my humble and honest duty, belonging to the world of academics, to interact and share with some instrumental guidelines for the contributors and participants in the forthcoming issues of the Indian Journal of Commerce.

Research along with its practical implications and usage and utility in the field of business studies has great relevance today. It is therefore, suggested that Papers based on application oriented research are more welcome; especially in the fields of industry, commerce, business studies and management areas. The papers must include tables, diagrams, illustrations and such other tools to support the different and divergent viewpoints. As such, the length of a paper including all these has to be cautiously controlled and should not exceed 20 double space pages. Short communications relating to review articles, report of various conferences, summary/views on several governments' reports, database issues etc. should also not exceed more than 5 double spaced pages and are invited to be published. We also welcome book-reviews and summary of Ph. D. dissertations but not in more than two double spaced pages. Care should be taken that whatever manuscripts are sent for publication in this journal should not have been published elsewhere any time before.

As is the common practice, two copies of the manuscripts typed in double space on A4 size bond paper should be submitted and the electronic version of the paper must accompany 3.5 inch high density floppy diskette in PC compatible WORD 7.0 document format. Papers without floppy/CD will not be accepted. It is informed that all the papers/contributions submitted for publication in the journal will be subjected to peer reviews and the decision of the Editorial Committee will be final.

First page of the Paper should consist of the title of the paper, name(s), of the author(s) along with all the other required details and the abstract should not exceed more than 150 words. Second page should start with the title of the paper again to be followed by the text. In the captions for the tables, figures and column headings in the tables, the first letter of the first word should be capitalised and all other words should be in lower case, except the proper nouns. Footnotes in the text should be numbered consecutively in plain Arabic superscripts. All the footnotes, if any, should be typed under the heading 'Footnotes' at the end of the paper immediately after Conclusion.

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## FROM THE DESK OF THE MANAGING EDITOR



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I feel great pleasure and pride to acknowledge and express my sincere regards for the guidance, assistance & moral support, which I continuously received from the hon'ble members of Indian Commerce Association (ICA). I am also thankful to the readers for their consistent support and trust by devoting time, consideration and generosity towards the Indian Journal of Commerce. This makes me feel pleased and privileged to present before you the Vol. 70, No. 3, of the Indian Journal of Commerce. Also, I would like to pay my humble and warm welcome to all the learned delegates and guests of the 70th All India Commerce Conference hosted at The IIS University, Jaipur from 12th to 14th October, 2017. I would like to congratulate the conference secretary Prof. Subhash Garg, Dean & Director, CRIT, The IIS University, Jaipur, for organizing the 70th AICC in a grand way at the historical Pink city.

In this issue of the journal, we have put together the 15 research papers, reflecting diverse interest in the field of business studies and research covering the topics of Goods and Service Tax, Perception of Sellers of Eco- friendly Products, Personality Traits Required for Entrepreneurs, Organizational Culture and its Contributions to Satisfaction of Employees, The Effect of Training on Staff Productivity, Performance of Index ETFs Vs. Index Fund, Perceptions of Social Media Usage, A shifting trend towards the Micro Finance Institutions at Rural Areas, Capital Structure and Profitability, Impulse Buying, Contribution of Agriculture Sector in Economic Development of the Country, Role of Information Technology in the Development of Mahila Urban Co-operative Banks in Rajasthan, Managing Stress Among Working Women In Banking Sector, Performance of Large - Cap Equity Mutual Funds in India & Dynamics of Service Economy and its Challenges in Industrial Society.

The biggest tax reform, since independence - GST legislation - will pave the way for realization of the goal of one nation - one tax - and one market - a technology driven tax system, which will reduce human interface to a great extent. GST will benefit all stakeholders, namely, industry, distribution channels, government, and consumer. Increased internationalization of business world over has pushed the entrepreneurs towards more fierce competition. Academicians, researchers and practitioners in the field naturally started looking for the ways and means with the help of which this challenge can be met. Agriculture plays a vital role in India's economy. Over 58% of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of

the largest contributors to the Gross Domestic Product (GDP). An Index Exchange Traded Funds and Index Funds are an innovative products which puts together favorable characteristics of open-ended and closed-ended mutual funds and presents a more flexible and liquid product for investors. ETFs are the new products from the Mutual Fund Houses and are also slowly gaining popularity. They have huge potentiality to grow in India because of its technical advantages over traditional Mutual Funds. Today life is passing through the era of IT. The IT must be an important part of our life and organization and business strategy. The need of microfinance arises because the rural India requires sources of finance for poverty alleviation, procurement of agricultural and farms input. Micro finance is a programme to support the poor rural people to pay its debt and maintain social and economic status in the villages. Organizational culture is stated as the backbone of any organization. It states the routines and functioning of the organization. It is the culture which guides all the levels of managers while dealing with different situations. It is considered as a well-defined pattern of beliefs and values which defines the correct way of thinking and acting. With increasing engagement of the users on social media, it is making a significant impact on their purchase behavior. Social media usage has become a major factor in influencing various aspects of consumer behavior which encourages customers choose and like a brand on social media. Brand promotion related activities on social media help consumers to recall and recognize brands quickly. Retail marketing deals with identifying and meeting human and social needs, with the task of creating promotion and delivering goods and services to retail consumers.

I express my sincere indebtedness to all the readers and life members for the warm welcome and valuable support to the journal and ICA. As you all aware, now our journal is completely an online journal, so as you are requested to browse it through networks. Here, I would like to quote few lines by great thinker Rabindranath Tagore:

“I slept and dreamt that life was joy.

I awake and saw that life was service.

I acted and behold, service was joy.”

At last but not the least, i would like to conclude few lines from Bhagwad Geeta:

**"कर्मण्येवामा फलेषु कदाचन,**

**मा कर्मफलहेतुर्भूर्मा ते सङ्गोऽस्त्वकर्मणि।।**

(You have a right to perform your prescribed duty, but you are not entitled to the fruits of action. Never consider yourself the cause of the results of your activities, and never be attached to not doing your duty.)



(H.K. Singh)

# Goods and Services Tax (GST) - Framework and Implications for Implementation One Nation - One Tax - and One Market - A Technology Driven Tax

Balla Appa Rao, D. Nagayya

## ABSTRACT

*Goods and Services Tax (GST) is India's most ambitious and remarkable indirect tax reform, launched on July 1, 2017, after deliberations and preparatory work over a number of years. Its objective is to levy a single uniform tax across India on all goods and services, through a simplified and transparent tax structure by reducing the tax burden for both producers and consumers, and increasing tax collection for the government. GST focuses on tax on value addition at every stage of the value chain from the manufacturer to the consumer, thereby removing the cascading effect of taxes (avoiding imposition of tax on tax). Implementing a new tax, encompassing both goods and services, by the Centre and the States in a large and complex federal system, is a massive unprecedented task. Signifying the spirit of co-operative federalism, GST is being implemented as a historic and game-changing tax reform. Domestically, it will help improve governance, strengthen the tax institutions, facilitate Make-in-India by Making-One-India, and impart buoyancy to the tax base. Ease of Doing Business, and ensuring that the benefits of the tax system reach the consumers are other major goals of the new system. Success of such a major change always depends upon its effective implementation. Periodic reviews and bringing about the desired changes from time to time is necessary. GST is a good and simple tax which would ultimately benefit the people. The paper focuses on the overall framework of GST, and implications for its implementation. Challenges in implementation for micro, small and medium enterprises (MSMEs) and small traders are also referred to. Boxes 1 to 9 present the highlights of the GST framework. Two important aspects covered for implementation are: creating a strong IT backbone through GST Network - a technology driven system, and a digitisation revolution, and provisions regarding the role of the National Anti-Profiteering Authority (NAA).*

## INTRODUCTION

Goods and Services Tax (GST), a historic tax reform, which is expected to transform the indirect taxation landscape in the country came into effect on July 1, 2017, though it was planned to be launched much earlier. Speaking on the launching function on the midnight of June 30, 2017 in the Central Hall of Parliament in New Delhi, the President, Pranab Mukherjee said the introduction of GST is a momentous event for the nation. It was also a moment of satisfaction for him because, as Union Finance Minister, he had introduced the Constitution Amendment Bill on March 22, 2011. The President said, when a change of this magnitude is undertaken, however positive it may be, there are bound to be some teething troubles and difficulties in the initial stages. Success of such major changes always depends upon their effective implementation. The GST Council and the Central and State Governments should continuously review the design and make improvements, in the same constructive spirit as has been displayed till now.

The Prime Minister, Narendra Modi said that the day marks a decisive turning point, in determining the future course of the country. He described GST as a fine example of Cooperative Federalism. He also said, that just as Sardar Patel had ensured political

## Key words

GST, Tax, Market

integration of the country, GST would ensure economic integration. He hoped, that GST would lead to a modern tax administration which is simpler, more transparent, and helps curb corruption. He described GST as “**a good and simple tax**” which would ultimately benefit the people. He quoted a *shloka* from *Rig Veda* to describe the spirit of the common goal, common determination, leading to mutual and shared benefit for the society. The Prime Minister while addressing the Joint Session of the Parliament earlier stated, GST will free the common man from tax terrorism and inspector raj. Besides being a transparent and fair system that will end generation of black money and corruption, GST will promote a new governance culture that will end harassment at the hands of tax officials.

The biggest tax reform since independence – GST – will pave the way for realisation of the goal of one nation – one tax - and one market – a technology driven tax system, which will reduce human interface to a great extent. GST will benefit all stakeholders, namely, industry, distribution channels, government, and consumer. Under the GST regime, exports of goods and services will be zero rated in entirety unlike the present system where refund of some of the taxes does not take place due to the fragmented nature of indirect taxes between the Centre and the States. Exports from Special Economic Zones (SEZs) and EoUs (Export Oriented Units) will also be treated as zero rated. Imports will be considered under integrated GST (IGST) or also known as tax on inter-state supplies. SEZ Exports and supplies to SEZ units and SEZ developers are zero rated in GST. Zero-rating effectively means that no tax is payable on exports, but the exporter/ supplier is entitled to the input tax credit on inputs/ input services used in relation to exports. The exporter has two options for zero rating: (i) to pay integrated tax on supplies meant to be exported, and get refund of tax so paid after the supply is exported. (ii) to make export supplies under a bond or letter of undertaking, and claim refund of taxes suffered on inputs and input services in relation to such exports.

The Governor of Reserve Bank of India, Urjit Patel, stated that GST will not only create a national market but will also broaden the tax base which in turn will lower the overall taxes in the long term. The prudent point is that GST itself is part of the digitisation revolution, which along with the reforms on information tax side in terms of the

processes and operations, has the potential to broaden the tax base considerably.

He also said GST is a precursor to a low tax regime in the country at a later stage. Broadening of tax base is an important outcome of the new uniform taxation regime, and other initiatives on e-payments and digitisation. Besides creation of a national market, GST will also reduce many inefficiencies within the states and Union Territories while moving goods and services within the state and also across the country.

### **Dual Levy of GST by the Centre and States/Union Territories**

The idea of GST was first mooted in 2000 during the Prime ministership of Atal Bihari Vajpayee, and a Committee was set up headed by the then West Bengal Finance Minister, Asim Dasgupta to design a GST model. In 2003, the Vajpayee government set up a taskforce under Vijay Kelkar’s Chairmanship to recommend tax reforms. Later the Empowered Committee of State Finance Ministers (EC) which had formulated the design of State Value Added Tax (VAT) was requested to come up with a roadmap and structure for the GST. The first Discussion paper (FDP) released by the EC on GST in November 2009 spelt out the features of the proposed GST. This has formed the basis for the present GST regime.

GST will bring SMART governance, with key attributes being smart, moral, accountable, responsive, and transparent in the new regime. Various indirect taxes in vogue at present levied by the Central and State governments have been subsumed in a single tax called Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import, and till the last retail level. With India being a federal set up where both Central and State governments have independent powers of taxation, GST in India is a dual levy where the Central Government will levy and collect Central GST (CGST or Central tax), and the states will levy and collect State GST (SGST- State tax) on intra-state supply of goods or services. The Central government will also levy and collect integrated GST (IGST or integrated tax) on inter-state supply of goods or services. Besides these, there will be a levy of Union Territory GST (UTGST or Union Territory tax) on intra-Union Territory supplies that take place in Union Territories without legislatures. Only Delhi and

Puducherry have legislatures, and the other five Union Territories do not have legislatures. GST, thus, operates in the form of CGST, SGST, UTGST AND IGST, apart from exemptions made for certain products. GST will be levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services. There will be no GST on sale and purchase of securities. That will continue to be governed by Securities Transaction Tax. (STT).

GST in India is a four-tier tax structure of 5%, 12%, 18% and 28%, apart from the exempted category, with lower rates for essential items and the highest for luxury and demerit goods that also attracts an additional cess to compensate states for any loss in indirect revenue for a period of five years. Around 30-35 per cent of items of the Consumer Price Index (CPI) basket are under exempt category, which should help in keeping prices of essential items under control. The exempt category includes education and health services. The export of goods or services is considered as zero-rated supply with no GST to be levied. Zero rating implies that exporters will be entitled to the input tax credit on inputs/input services in relation to exports. An attempt has been made to ensure that revenue collection by the Centre and the states is not hit adversely. Nearly 60 per cent of all goods under GST are taxed at either 18% or 28%, and nearly 20% are taxed at 28%, which besides luxury and negative items, also includes chocolates, chewing gum, shampoo, deodorant, paint, etc. Electricity duty, stamp duty, excise duty, and VAT on alcoholic beverages, Petroleum products (like crude, natural gas, petrol and diesel) are outside the ambit of GST for the time being. Businesses dealing only in exempted goods or with a turnover of up to 20 lakh annually (10 lakh in case of special category states) but not engaged in inter-state supplies are also exempted from filing returns for GST. Excluding the exempted category, among the remaining items, nearly 81 per cent fall below/ in 18 per cent GST slab. Boxes 1 to 9 present various features of GST system.

**Categorisation of Micro, Small and Medium Enterprises (MSMEs) for GST:** Under GST, micro, small and medium enterprises (MSMEs), also referred to as small and medium enterprises (SMEs) can be categorised into three types: (a) Those up to the threshold limit of annual turnover of 20 lakh (10 lakh in case of special category

states) who need not register under GST. Practically, they can only be in business to consumer traders/ manufacturers/ food services providers; (b) Those between the threshold and composition annual turnover of 75 lakh (50 lakh in case of special category states) have the option to pay 2 per cent tax in the case of manufacturers, 1 per cent in the case of traders, and 5% in the case of restaurants but not engaged in inter-state supplies. Given the possibilities of input tax credit, not all small enterprises that do B2B business may seek the turnover tax option. Practically, they can only be in business to consumer traders/ manufacturers/ food services providers; and (c) the third category of micro, small and medium enterprises above the turnover threshold would need to be within the GST framework. Service providers and the tax payers making inter-state supplies or making supplies through e-commerce operators are not eligible for the composition scheme.

**Categorisation of Information Technology (IT) Software under Services:** IT software is treated as services. In terms of Schedule II of CGST Act 2017, development, design, programming, customisation, adaptation, upgradation, enhancement, and implementation of IT software, and temporary transfer or permitting the use of enjoyment of any Intellectual Property Right (IPR) are treated as services. However, if a pre-developed or pre-designed software is supplied in any medium/ storage (commonly bought off-the-shelf) or made available through the use of encryption keys, the same is treated as supply of goods classifiable under heading 8523. Supplier of software services would not be eligible for the composition scheme. Rate of GST on IT/ITES Services is 18 per cent.

<b>Box 1: GST - An Efficient Tax System to Promote Entrepreneurship</b>
<ul style="list-style-type: none"> <li>▪ Simplifying indirect taxation landscape by integrating all taxes</li> </ul>
<ul style="list-style-type: none"> <li>▪ Uniform and simple taxation provision for e-commerce operators</li> </ul>
<ul style="list-style-type: none"> <li>▪ Cost reduction due to removal of multiplicity of taxes and their cascading effects</li> </ul>
<ul style="list-style-type: none"> <li>▪ Efficiency in supply chain resulting in growth of business</li> </ul>
<ul style="list-style-type: none"> <li>▪ Single tax will make tax compliance easier with lesser litigations.</li> </ul>

**Source for Boxes 1 to 9:** Adapted from a few articles of *Yojana*, Vol.61 No.8, August 2017

<b>Box 2: Indirect Taxes Subsumed by GST</b>		
<b>S.No</b>	<b>Central Government</b>	<b>State Government</b>
1	Central Excise duty	State value added tax (VAT)
2	Duties of excise (medicinal & toilet preparation)	Central Sales Tax
3	Additional duties of excise (goods of special importance)	Luxury tax
4	Additional duties of excise (textiles & textile products)	Entry tax (all forms)
5	Additional duties of customs (CVD)	Entertainment and amusement tax (except when levied by local bodies)
6	Special additional duty of customs (SAD)	Taxes on advertisements
7	Service tax	Purchase tax
8	Central surcharges and cesses so far as they relate to supply of goods and services	Taxes on lotteries, betting and gambling
9	-	State surcharges and cesses so far as they relate to supplying of goods and services

Taxes not subsumed by GST are taxes levied by local bodies, professional tax, stamp duty, and a few others.

**Example One: Transactions within a State**

A product whose base price is 100, and after levying excise duty at 12% (assumed), value of the product is 112. On the sale of such goods, VAT is levied @12.5% (assumed), and the value to the ultimate consumer is 126. In the proposed GST system, on base price of 100, CGST and SGST, both, will be charged at 9% each, totalling 18%, when the transaction is within the State. Then the value to the ultimate consumer is 118. In such a case, the industry is at an advantage to compete in the global environment.

GST may be defined as a tax on goods and services, which is leviable at each point of supply (i.e., sale of goods or provision of services), in which at the time of sale of goods or providing the services, the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or procuring the service. GST is levied

at every stage of the production and distribution chain with applicable set offs in respect of tax remitted at previous stages. It is a tax on final consumption or can be called destination based tax, and levied at single point at the time of consumption of goods or services by the ultimate consumer.

**Example Two: CGST, SGST, and IGST on Intra-state and Inter-state Transactions**

GST Rate:18% (CGST rate: 9%, and SGST rate: 9%); IGST rate: 18%, ITC: Input tax Credit

**Step 1:** - A in Mumbai sells item X which is produced in Mumbai, to B in Mumbai for 15,000. Both the seller and buyer are located in the same state – Maharashtra. Being an intra-state transaction, CGST and SGST are payable, and hence, part of the invoice of A to B is as under. A collects 2,700 as GST out of which he deposits 1,350 in the account of the Central Government, and the remaining 1,350 in the account of the Maharashtra Government. Total amount paid by B to A is 17,700.

**Step 2:** - Now B in Mumbai (Maharashtra) sells the same X to C in Bengaluru (Karnataka) for 26,250. Being an inter-state transaction, IGST at 18% is payable; hence, part of the invoice of B to C is as under. IGST of 4,725 is collected by B from C. After deducting CGST ITC of 1,350, and SGST ITC of 1,350, B deposits IGST of 2,025 in the account of the Central Government. Total amount paid by C to B is 30,975.

**Step 3:** - Further, C in Bengaluru sells the same X to D in Bengaluru (end-user or final consumer) for 45,000. Once again, it is a case of intra-state transaction,; hence, subject to both CGST at the rate of 9% (4,050) and SGST at the rate of 9% (4,050) which also form part of the invoice of C to D as under. IGST ITC to the extent of 4,050 is set off against the CGST of 4,725 by C, and hence, there is zero CGST (net) from C to the Central government. The remaining IGST ITC of 675 (4,725 - 4,050) is set off against the SGST of 4,050 payable to Karnataka Government by C. Thus, C deposits 3,375 as SGST (net) into the account of Karnataka Government. Total amount paid by D to C is 53,100.

**Step 4: - Adjustment of CGST, SGST and IGST among the Centre, Maharashtra, and Karnataka Governments:**

As is known, GST is a consumption based tax, i.e., the State where goods are finally consumed, will collect the tax. Thus, Maharashtra where X was produced and sold will not get any GST revenue. Central and Karnataka Governments, therefore, will get 4,050 each instead of only 3,375 each. Maharashtra (exporting State) will transfer to

the Centre the credit of SGST of 1,350 used in payment of IGST. The Centre will transfer to Karnataka (importing State) 675 IGST credit used. The remaining amount of 675 will be retained by the Centre. Final GST revenue is 8,100; amount retained by the Centre 4,050, amount transferred to Karnataka 4,050. Maharashtra, the producing State has not received any amount of SGST.

Under the ITC system, one entity can avail its benefit only if it buys from an entity that is registered with the GST Network, and also has paid taxes regularly. Due to this provision, there is a strong likelihood that a buyer will buy only from a GST compliant seller, and this can lead to a large part of business entities previously operating outside regulatory system to register, and hence, bear the appropriate regulatory and taxation cost. Even those enterprises already complying with the existing regulations by migrating to GST Network may increase cost, at least in the initial phase. While on the upside, this has a significant potential to enhance tax base and overall tax revenue for the Government, depending on how it affects the overall cost structure, it can also increase prices accordingly. In the prior to GST system, many entities in the informal sector, not registered with tax authorities, were evading taxes and selling goods at lower prices, enabling the consumer to benefit from lower prices. Variation in taxes across states was also responsible for higher prices. In respect of small and medium enterprises, it is stated, increase in compliance cost with the GST system can also lead to increase in prices. With migration to GST system, some products become costlier, and in some cases prices would decline, depending on the GST slab in which a particular item has been placed. There is a possibility of inflationary trends as a consequence. Experiences of other countries, such as Japan, Australia, Canada, Singapore, Malaysia, and others where GST pattern has been implemented, shows that there was an increase in inflation post GST implementation period, and the same situation can arise in India as well. Malaysia could control inflation to a great extent by effectively implementing anti-profiteering rules.

### **Legislature Approval at the Centre and States**

The Parliament passed the 101<sup>st</sup> Constitutional Amendment 2016 empowering the Centre and the States to levy and collect the Goods and Services Tax (GST). A significant feature of the Constitutional Amendment is provision relating to Constitution of GST Council with the Union Finance Minister as Chairman, and the Union Minister of State (Revenue) and State Finance/Taxation

Ministers of 29 states and two Union Territories (Delhi and Puducherry) which have legislature as members The Guiding Principle of the GST Council is to ensure harmonisation of different aspects of GST between the Centre and the States as well as among states with a view to develop a harmonised national market for goods and services within India. To implement GST, Parliament passed the following bills:

- i) The Central GST Bill, 2017
- ii) The Integrated GST Bill, 2017
- iii) The GST (Compensation to the states) Bill, 2017
- iv) The Union Territory GST Bill, 2017

All the State and Two Union Territory legislatures have passed the State GST Bill, 2017.

The GST Council has decided that under dual control, 90 percent of all assesseees with an annual turnover of up to 1.5 crore would be assessed by the states, and the remaining 10 per cent by the Centre. Assesseees with a turnover exceeding 1.5 crore would be assessed by the Centre. There will be a lot of give and take in the true spirit of cooperative federalism. The Constitutional Amendment provides that every decision of the GST Council shall be taken at a meeting by a majority of not less than 3/4<sup>th</sup> of the weighted votes of the members present and voting. The vote of the Central government shall have a weightage of 1/3<sup>rd</sup> of the votes cast, and the votes of all the state governments taken together shall have a weightage of 2/3<sup>rd</sup> of the total votes cast in the meeting. One half of the total number of members of the GST Council constitute quorum at its meetings. The weightage of voting has been so assigned that it is not possible for either the Centre or the states to take any decision unilaterally. As the Centre has only 33 percentage in voting, support of a majority of the states is required for any decision to be taken by the Council. However, till now, all decisions have been taken in the Council by consensus. And there has not been any occasion for voting.

As GST is a destination-based tax, there was apprehension among some states that implementation of GST may result in loss of revenue for them. Therefore, the Constitutional Amendment 2016 provided compensation to be paid by the Centre to states for loss of revenue arising on account of implementation of GST for a period of five years. The GST Compensation to States Act 2017 has been enacted. The Compensation Act has fixed the revenues of the year 2015-16 as the base year revenues, and further a nominal annual growth rate of 14 per cent has been provided. The Act provides for levying a cess, which shall be used for providing compensation to the states in case there is a loss

of revenue. This cess shall be levied on luxury items and demerit goods.

<b>Box 3: Benefits of GST for Small Tax Players</b>	
▪	No tax up to an aggregate annual turnover of ₹ 20 lakh for both CGST/ SGST/UTGST for manufacturer / service provider / trader
▪	The exemption threshold is ₹10 lakh for eight North Eastern States, Uttarakhand and Himachal Pradesh for both CGST and SGST
▪	Those below the threshold limit many opt for voluntary payment of tax with input tax credit (ITC) benefits.
▪	No requirement of registration or filing returns if below the threshold limit for manufacturer/service provider/trader
▪	Option to pay tax under composition scheme (i.e. to pay tax at a flat rate without credits) is available to small tax payers (other than the specified category of manufacturers and service providers) having an annual turnover of up to ₹75 lakh (₹ 50 lakh for special category states except Jammu and Kashmir and Uttarakhand)
▪	Composition GST rate: traders 1%, manufacturers 2%, and restaurants 5%
▪	In service sector, composition scheme is available only for restaurants.
▪	Small tax payers are not required to give HSN code in their returns.
▪	Special dispensation for job work to help workers in GST regime.

<b>Box 4: Uniformity in Tax Regime - Input Tax Credit (ITC) Mechanism</b>	
➤	Seamless flow of ITC to eliminate cascading of taxes
➤	Simple ITC mechanism across all taxes
➤	Credit of tax paid at every stage is available as set off for payment of tax at the subsequent stage. If the seller wants to avail of ITC facility, both entities, the seller and the buyer, should be registered with GST Network. The seller should also be paying taxes regularly. ITC is permitted based on the principle of matching of bills for which credit is claimed by the seller with the details given by the buyer. Credit is admitted only for the matched portion of transactions.

<b>Box 5: Ease of GST Registration and Filing Returns</b>	
Standard format for every process of registration chain such as application for registration, acknowledgement, query.etc.	Amendments of registration shall be made without any specific approval from the tax authority (except for some core information).

<b>Box 6: Standardised Form for making any claim for refunds</b>	
The claim and sanctioning procedure will be completely online and time bound.	The refund claim will be credited to the bank account of the applicant.

### GST Contributes to 'Make in India' Programme

1. The four levels of GST rates, and the exemption category will go a long way in providing opportunities for small and medium enterprises to benefit from the simplified and transparent GST system.
2. GST will help in creating a unified common national market for the country, giving a boost to foreign investment, and 'Make in India' campaign. It will prevent cascading of taxes as Input Tax Credit (ITC) will be available across goods and services at every stage of supply.
3. In the earlier pattern, many problems and uncertainties were noticed in the indirect tax administration. Non-uniformity of taxes across states created uncertainty and confusion in business decisions. There was no mechanism for rebates on taxes paid on the previous stages of the value chain, and hence, led to a cascading effect (tax-on-tax). Effective implementation of GST will result in redressal of all these and many more, by way of simplifying tax compliance, reducing the restrictions in inter-state movement of goods, mitigating the tax burden, facilitating timely realisation of tax refunds, and so on. **This, in turn, will also help in sharply improving the country's global ranking on 'Paying Taxes,' in the World Bank's Doing Business Report, where India is ranked poorly at 172 out of 190 countries.**
4. GST, by merging all indirect taxes into a single tax, has made compliance much easier for businesses. Using IT platform of GST Network (GSTN), which is a shared infrastructure between the Centre and States, provides reliable and efficient IT backbone for the smooth functioning of the GST. Tax payers can register, file, make payments and claim refunds online at anytime from anywhere without having to interface with tax officials. This makes the compliance process easier, transparent, faster, paperless, and sets the stage for enhanced productivity and efficiency of businesses going forward.
5. Harmonisation of laws, procedures and rates of tax. GST is governed by a common law and procedures, throughout the country under a single administration.

6. It will boost export and manufacturing activity, generate more employment, and thus increase GDP with gainful employment leading to sustainable economic growth.
7. More efficient neutralisation of taxes, especially for exports, thereby making our products more competitive in the international market, and give boost to Indian exports.
8. Improve the overall investment climate in the country which will benefit the development of various states.

#### **GST facilitates 'Ease of Doing Business'**

9. Uniform CGST, SGST and IGST rates will reduce the incentive for tax evasion by eliminating rate arbitrage between neighbouring states, and that between intra and inter - state sales.
10. Average tax burden on companies is likely to come down which will lead to reduction in prices, and lower prices mean more demand, and more consumption, which in turn leads to greater level of production. GST brings a uniform online, fast and transparent tax administration across all states making compliance much easier, and saving money cost as well. MSMEs also stand to benefit from the provision of input credit on taxes under GST, which would help them to become more competitive.
11. A Digital MSME Scheme has been launched, which among other things will support all field organisations of the Central government to provide cloud based solution for the MSME units to become GST reliant. With the National Institute for Micro, Small and Medium Enterprises (NIMSME), Hyderabad as the nodal centre for GST training and GST strategies, with a GST cell, all field organisations of the Ministry of MSME have been conducting GST awareness training programmes and workshops to acquaint MSME representatives with the procedural aspects of GST. In the web site of the office of Development Commissioner (MSME), an exclusive link has been provided for GST-MSME with the relevant information for implementation.
12. Reduction in the multiplicity of taxes that are at present governing the indirect tax system leading to simplification and uniformity.
13. Reduction in compliance costs - No multiple recording keeping for a variety of taxes - so lesser

investment of resources and manpower in maintaining records.

14. Simplified and online procedures for various processes such as registration, returns, refunds, tax payments, etc. A Special Purpose Vehicle (SPV) of GST, known as GST Network (GSTN)) has been created for this purpose. GSTN Portal: [www.gst.gov.in](http://www.gst.gov.in)
15. All interaction to be brought through the common GST portal - so less public interface between the tax payer and tax administration.
16. Will improve environment of compliance as all returns are to be filed online, input credits to be verified online.
17. Common procedures for registration of tax payers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system.
18. Timelines to be provided for important activities like obtaining registration, refunds, etc.
19. Electronic matching of input tax credits all across the country, thus making the process transparent and accountable.

#### **Benefits to Consumers**

20. Final price of goods and services is expected to be lower due to seamless flow of input tax credit (ITC) between the manufacturer, retailer and service supplier.
21. It is expected that a relatively large segment of small retailers who constitute the informal or unorganised sector, will either be exempted from tax or will bear very low tax rates under the compounding scheme - purchases from such entities will cost less for the consumers.

#### **Help Micro, Small and Medium Enterprises Navigate GST**

In the Pre-GST pattern of taxation, micro, small and medium enterprises (MSMEs) were exempted from excise duty up to an annual turnover of 1.50 crore. In the GST pattern, exemption is given up to a limit of only 20 lakh, and in case of special category states up to 10 lakh, significantly lower compared to the earlier pattern. As a

result, a large number of the SMEs and start-ups will be mandated to come under the tax net, and will have to pay tax. GST, thus, widens the tax base of MSMEs and small traders. Further more, there are other problems affecting MSMEs in the proposed tax neutrality. GST regime will not differentiate between luxury goods and normal goods: this will hit hard MSMEs in competing against large enterprises. GST that is ultimately levied on supply will not be available for input tax credit. This will lead to an increase in the cost of products on businesses that supply directly to end-users, such as large enterprises.

Rakesh Bhargava, Director, Taxmann Publications, New Delhi, in an article published in *The Hindu Business Line* dated 14 August 2017 presented experiences and problems being faced by Micro, Small and Medium Enterprises (MSMEs) in navigating GST, and advocated greater amount of hand holding and guidance for MSMEs to tide over the situation in different parts of the country. Businesses are still seeking clarification on the rules of the new tax regime. Larger enterprises are well equipped with technical resources, manpower of GST experts, and high capability to spend the required amount to adopt the new rules and procedures. Micro, Small and Medium Enterprises (MSMEs) are finding it difficult to cope with the pace at which the government issued notifications, rules and procedures. Small businesses are still in a dilemma whether GST registration is required or not, and whether they are eligible to opt for composition scheme under GST. They also find it difficult to adopt changes in invoices. They are not aware of the requirements for new invoices under GST.

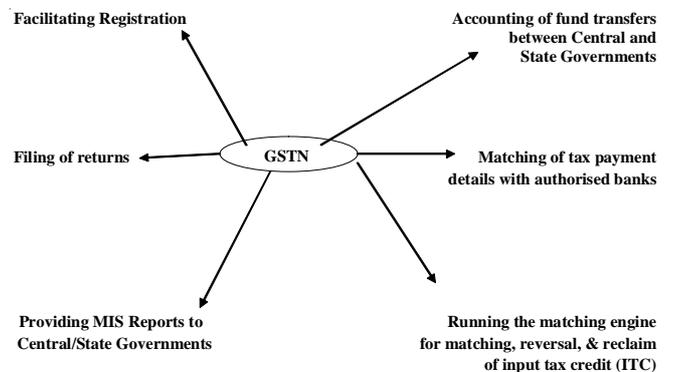
Another major concern for small enterprises is that of displaying a tax portion in addition to the value of goods or services supplied. Earlier, invoices inclusive of taxes were allowed but under GST, there is no such concept, and they are required to display taxes separately on their tax invoices. The small sector, which is largely unorganised, faces problems in understanding the new mechanism of availing credit, and paying taxes. A key concern of compliance requirement under GST is mainly to file three returns in a month. Earlier, whether they were unregistered before GST regime or had registration under state VAT laws, they were required to file only quarterly returns. Now, if they opt for composition scheme, then there is a restriction that they cannot undertake inter-state outward supplies. If they take regular registration, then there will be a lot of compliances under GST.

MSMEs do not use technology for business operations, and they are hesitant to move to GST because all compliances will be done digitally. However, use of internet is required only at the time of uploading of returns but it will be cumbersome to upload details of all invoices if MSMEs are engaged in B2B operations, *i.e.*, supplying goods and services to other businesses.

Another concern is that small businesses are unable to purchase goods without GSTIN number – state governments delay issuing GSTIN number as the time allowed for issue is only three days. They face shortage due to denial of supply by their supplier in the absence of GSTIN number. Also, while MSMEs can avail credit of excise duty paid on inputs on deemed basis, to avail all those credits, they are required to fill GST TRAN-1 before September 28, 2017.

Since the government has extended the time limit to opt for composition scheme for existing dealers, new dealers have a time limit of only 30 days for applying for new registration. The last date for applying for fresh registration was July 30, 2017. The government should extend the time limit as small dealers are not much aware about the rules and procedures under the new GST regime. Considering the shortage of internet facilities and lack of awareness amongst small businesses, various ministries of the government must organise more awareness programmes and campaigns to educate them. This will make them understand the benefits of GST for small businesses – such as removing the cascading effects of taxes, credit of all input taxes paid on inputs, capital goods and services, etc.

**Box 7: Functions of Goods and Services Tax Network (GSTN) – A Special Purpose Vehicle (SPV) created to cater to GST Needs ....GSTN Portal: [www.gst.gov.in](http://www.gst.gov.in)**



### **Creating a Strong IT Backbone – GST Network (GSTN)**

The Goods and Services Tax Network (GSTN) was conceived as the IT backbone of GST – an organisation that would put in place the IT infrastructure for the new regime, and enable the transition of tax payers from the multiple existing systems to a single one. The Government of India and State Governments came together to create the GST Network (GSTN), a Special Purpose Vehicle (SPV), a non-government, not-for-profit Company where the Centre holds 24.5% of shares, and all the States collectively hold 24.5%. The remaining 51% of shares are held by five private financial institutions. This structure brings flexibility of private sector while ensuring that strategic control remains with the government. This is a Section 25 Private limited Company. The GST System Project is a unique and complex IT initiative. It is unique as it seeks, for the first time, to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and the States. The strong IT infrastructure and Service backbone enables capture, processing and exchange of information amongst the stakeholders including tax payers, States and Central Governments, Accounting Offices, banks, and Reserve bank of India (RBI). IT giant, Infosys has been appointed as Managed Service Provider (MSP) for a period of five years. 34 GST Suvidha Providers (GSPs) have been appointed.

The Common GST Portal is the single interface for all tax payers from any part of the country. Only in case where a tax payer is picked up for scrutiny or audit, he will interface with the respective tax authority. For all other cases, which is expected to be around 95%, the common GST Portal will be the only interface for tax payers. At GSTN, a series of services and technological tools have been crafted to ensure that paying taxes and filing returns becomes convenient for the last common denominator. The objective of GSTN is not just to simplify the compliance work but also make the process of paying taxes simple and convenient. By reforming this indicator alone, we can significantly improve upon India's Ease of Doing Business criteria. Box 7 presents the variety of functions performed by GSTN. Designed as a self service mode, which is simple and adaptable for mobile systems as well, the interface will play a major role in empowering business and entrepreneurs, and easing their tax paying procedures.

### **National Anti-Profitteering Authority (NAA)**

CGST Act specifies that "Any reduction in rate of tax on any supply of goods or services or the benefit of input tax

credit shall be passed on to the recipient by way of commensurate reduction in prices." Anti-profitteering measure is one of the key features of recently implemented GST law. This measure prevents entities from making excessive profits due to GST. Since GST, along with the input tax credit, is eventually expected to bring down the prices, a National Anti-profitteering Authority (NAA) is to be set up towards the end of 2017, to ensure that the benefits that accrue to entities due to reduction in costs are passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body. The Anti-profitteering rules, 2017 lay down details about the selection of members of the NAA, and other committees that will assist the NAA in investigating the complaints, the procedure to be followed in investigations, and powers given to the authority. The Authority will have a three-tier structure, including a Standing Committee on Anti-profitteering, State Level Screening Committees, and a National Anti-profitteering Authority (NAA).

Once the registered entity, which has profiteered illegally is identified, it can be asked to – one, reduce the prices if it has hiked prices too much, and two, if price reduction due to GST has not been passed on to consumers, to return to the consumers the sum equivalent to be price reduction along with 18 per cent interest from the date the higher sum was collected. The authority can impose penalty on the profiteer or cancel its registration.

### **Challenges in Implementing GST**

1. Indian GST will have a mechanism of matching of invoices. Input tax credit of purchased goods and services will only be available if the taxable supplies received by the buyer get matched against the taxable supplies received by the supplier. The GST Network which is responsible for the IT backbone is geared up to match more than three billion invoices per month. This could be a self regulating mechanism. This will not only check tax frauds and tax evasion, but also bring in more and more businesses into the formal economy. In the new regime, the tax payer can register, file returns, and make payment of taxes on a single portal on the net. [www.gst.gov.in](http://www.gst.gov.in) Even in a rare case, if the tax payer is to interact with the tax authorities, he will have to interact with only one authority, either from the state government or from the central government. Corruption will be checked to a large extent as it will become increasingly difficult for the tax payer to evade taxes,

and he will have minimal interaction with the tax authorities.

2. **IT Preparedness and Infrastructure:** GST is an IT driven law, and it needs adequate strengthening of IT infrastructure, particularly internet facility in all the states and Union Territories. States lagging behind in this direction, need to be taken on board, and given the necessary support to cope up with the task.
3. There are many areas, which have to be addressed as a part of transition to GST. The need for smooth transition is imperative for the success of GST. A lot of awareness programmes and workshops are being conducted by various organisations in different parts of the country with the support and guidance of Central Board of Excise and Customs, and State Commercial Taxes Departments. Practitioners and advisors such as Chartered accountants and Online advisory services, industry associations, consultancy organisations, and training and research organisations, have a significant role in resolving the issues as they arise through their active participation in the implementation of GST all over the country.

## CONCLUSION

GST promises to improve the ease of doing business, through a simplified and transparent tax structure by reducing the tax burden for both producers and consumers, and increase government tax collection. It will reduce discretion and lower litigation. The manufacturing sector will also get a boost as GST is expected to address long-standing issues like varying inter-state taxes, high compliance costs, high logistics costs, and also to ensure a

level playing field with respect to imports as GST provides for appropriate countervailing duty. The reform touches the lives of all the four major stakeholders of the economy. These include consumers, producers, marketing stage establishments, and the government. It also involves all the state governments and Union government in an exemplary spirit of co-operative federalism. By ushering in transparency to measure the taxes levied on a product, GST brings to an end the host of hidden and embedded taxes that have been paid so far by the consumers. With the successful implementation of GST, powered by GSTN – a technology driven tool, GST is expected to facilitate free flow of goods and services across the country, and is, therefore, expected to add to India's GDP by 1 to 1.8 per cent in the medium term. Further, reduction in multiplicity of taxes will also lead to confidence building of foreign investors, thus giving a boost to Foreign Direct Investments in the country.

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<b>Box 8: Ready reckoners on GST - Websites and others</b>
Central Board of Excise and Customs (CBEC), Dept of Revenue, Union Ministry of Finance, and Commercial Taxes Department of States/Union Territories are the implementing agencies for GST. CBEC website: <a href="http://www.cbec.gov.in/www.cbec-gst.gov.in">www.cbec.gov.in/www.cbec-gst.gov.in</a> CBEC Tweet - at @ ask GST_GoI for any GST related query for real time answering of queries apart from uploading FAQs (frequently asked questions) on GST in English, Hindi, and eight regional languages on its website. Helpdesk: 1800 - 1200 - 232; 0120 - 4888999
E-training modules on GST are available on Youtube. GST Seva Kendras have been established in every range office of CBEC for facilitating and hand holding migration, registration, duty payment, filing of returns, and hand holding.
"GST- Manthan", CBEC online campaign can be accessed by clicking <a href="http://www-gstawareness.cbec.gov.in">www-gstawareness.cbec.gov.in</a> Twitter channels <a href="#">cbec_India</a> , dedicated Youtube channel <a href="#">GST_India</a> , and Facebook page of <a href="#">@cbecIndia</a> are also available.
Under GST Council, 18 sectoral groups have been formed to examine industry related challenges and to prepare sectoral guidance roles.
CBEC has set up a GST Feedback and Action Room at North Block, New Delhi which will be manned between 8 hours to 22 hours daily. Phone numbers: 011-23094 160/161/162 and 011-23094168/169 Email: <a href="mailto:gst.actionroom@gov.in">gst.actionroom@gov.in</a>

<b>Box 9: Mobile App "GST Rates Finder"</b>
A mobile app "GST Rates Finder" was launched recently. This app which is now available on android platform will soon be available on iOS platform. This helps users to find rates of GST for various items of goods and services. It can be downloaded on any smart phone, and can work in offline mode, once downloaded. The user can determine the GST rate for a good or a service by entering the name or chapter heading of the commodity or service. The search result will list all the goods and services containing the name which was typed in the Search Box. E.g. any person who has been billed by a hotel or a restaurant or for footwear can cross verify the correctness of the rate of GST charged.
The portal <a href="http://cbec-gst.gov.in">cbec-gst.gov.in</a> at CBEC (Central Board of Excise and Customs) has also provided GST rate finder to help the taxpayers know the applicable GST rate on their supplies of goods and services. A tax payer can search for applicable CGST, SGST, UTGST rate, and compensation cess on a supply. The search can be made based on description of goods or services or HSN chapter or section or heading number. These ready reckoners will empower not only the tax payers, but every citizen to ascertain the correct GST rate on goods and services. HSN: Harmonised System of Nomenclature.

Source:: *Yojana*, Vol.61 no.8, August 2017, Special issue on Goods and Services Tax, p. 20.

## Perception of Sellers of Eco Friendly Products - An Analytical Study

M. Nagamani & B. Navaneetha

### ABSTRACT

Global warming, pollution, water crisis and food shortage, increased frequency of disasters are all indications that humans have mishandled nature. Business and consumers have to act responsible and there is a strong need to mitigate and work towards stabilization of the natural environment. Consumers are also concerned about the environmental impact of products they buy. The organizations that often form the link between the businesses and the consumers are the retailers. The role of retailers is pivotal as they are the intermediaries between the producer and consumer. Retailers could contribute towards climate change, waste management and people and community by analyzing their business processes and addressing these issues. In this view the study has been undertaken to analyse the sellers' perception in marketing of eco friendly products in Coimbatore. Purposive sampling technique has been used and primary data have been collected from 100 retailers through questionnaire. Percentage analysis, ANOVA, Kendall's coefficient of concordance have been used to analyse the data. The findings of the study revealed that the retailers have opined that majority of the consumers specifically identify eco friendly products and show their interest to pay more for eco friendly products. They also stated that there is lack of awareness among the consumers about eco friendly products available in market and high investment required for business is the most common problem they face.

### INTRODUCTION

The retail industry in India has been emerging as one of the largest sector and booming the country's economy. Retail marketing deals with identifying and meeting human and social needs, with the task of creating promotion and delivering goods and services to retail consumers. The Indian retail sector is a combination of structured and unstructured markets that contains different consumer products. It comprises of supermarkets, departmental stores, specialty stores and general shops. In the modern era of globalization, it has become a challenge to keep the manufacturers as well as consumers in touch to keep our natural environment safe, which has been the biggest need of the time to develop the practices for sustainability in the retail sector. The retail sector has undoubtedly a key role to play in sustainable production and consumption activities and also it play an important role by providing products with a lower environmental impact, and promoting them to consumers. The life cycle of consumer products enables influence on both production (greening the supply chain) and consumption (promotion of green products). Green products or environmentally friendly products that do not pollute the environment, do not waste resources and recyclable / reusable. It helps to maintain and improve the natural environment by saving energy or resources and reducing the use of toxic substances thereby controlling pollution. Hence, it is important to study the retailers' perception in marketing of eco friendly products.

### Key words

Environmental issues,  
Retailers, Business  
processes, Challenges

### OBJECTIVES OF THE STUDY

- To know the business profile of the retailers who sell eco friendly products and the factors that influenced them to sell eco-friendly products

- To analyse the retailers opinion about consumers buying attitude of eco friendly products
- To understand the problems faced by the retailers in selling eco friendly products

**REVIEW OF LITERATURE**

To identify consumers’ and retailers’ efforts to promote less polluting electronic products, *Mette Lise Jensen and Stig Yding Sorensen (2003)*<sup>1</sup> have made an attempt by collecting primary data from 17 consumers and 10 suppliers who were interviewed for the study. The findings of the study have revealed that consumers do not demand less hazardous electronic products while purchasing in the shop. The study has also registered that the consumers and retailers did not take any initiative in promoting the sale of less environmentally hazardous products. It has also been suggested that marketers and manufacturers should educate the consumers and provide green advertisements to promote the products.

*Surajit Dey, Sameena Rafat and Alam Sageer (2012)*<sup>2</sup> have undertaken a study on “Retailers and Customers: Problems and Perspectives”, with the objectives to evaluate the problems and its causes to the retailers in retail business and to identify the problems faced by the customers in retail marketing. Interview schedule method has been applied to collect the data from a sample of 100 respondents. The statistical tools like percentage analysis, weighted ranking analysis, garrett’s ranking analysis, likert’s scaling technique and chi-square analysis have been used to analyse the data. Based on the findings it has been observed that majority of the retailers faced the problems in bad debts, heavy competition, limited financial resources and poor market condition. In addition, retailers should try to follow some ethics in price fixation and avoid the discrimination in fixing price failure of which would dampen their business growth in a long run.

**METHODOLOGY**

The study is based on primary data collected from 100 retailers dealing in eco friendly products through a structured questionnaire. Purposive sampling technique has been used and statistical tools like Percentage analysis, ANOVA and Kendall’s co-efficient of concordance have been applied to analyze the data and draw interpretation.

**ANALYSIS AND INTERPRETATION**

**Business profile of retailers**

Information about the retailers’ business profile namely, nature of ownership, type of retail shop, nature of products sold, period of trading eco friendly products and monthly turnover of the shop have been shown in the table 1.

**Table 1 : Business Information of retailers**

		No. of respondents	Per cent
<b>Age</b>	20-30 yrs	24	24.0
	31-40 yrs	41	41.0
	41-50 yrs	30	30.0
	Above 50 yrs	5	5.0
<b>Nature of ownership</b>	Sole proprietorship	74	74.0
	Partnership	26	26.0
<b>Type of retail shop</b>	Simple retail shop	57	57.0
	Departmental stores	12	12.0
	Speciality shop	31	31.0
<b>Nature of products sold</b>	Only green products	53	53.0
	Both green and other products	47	47.0
<b>Period of trading in green products</b>	Less than 1 yr	13	13.0
	1-3 yrs	49	49.0
	4-5 yrs	24	24.0
	Above 5 yrs	14	14.0
<b>Monthly turnover</b>	Less than Rs.50000	32	32.0
	Rs.50001-Rs.100000	18	18.0
	Rs.1,00,000 - 1,50,000	17	17.0
	Above Rs.1,50,000	33	33.0
<b>Total</b>		<b>100</b>	<b>100.0</b>

(Source: Computed)

It has been noted from the above table that 41 per cent of the retailers belong to the age group of 31- 40 years, 30 per cent of them are in the age group of 41 – 50 years, 24 per cent of the respondents have been 20 – 30 years of age and 5 per cent of them are above 50 years. It is inferred that most of the retailers are in the age group of 31 – 40 years.

74 per cent of the respondents are sole traders and 26 per cent of them run their business on partnership basis. It is ascertained that majority of the respondents are the sole owners of their business.

57 per cent of the respondents have simple retail shops, 31 per cent of them have it in the form of speciality shops and 12 per cent of them have eco friendly products in their departmental stores. Hence, majority of the respondents have simple retail shops.

53 per cent of the respondents sell only green products in their shop and 47 per cent of them deals with both green and other products. It is noted that majority of the retailers sell only green products in their retail shop.

49 per cent of the retailers have been running their business from 1 – 3 years, 24 per cent of them have been carrying out their business for 4 – 5 years, 14 per cent of the retailers have been carrying on their business for more than 5 years and 13 per cent of them have been doing the business for less than 1 year.

33 per cent of the retailers have stated that their shop’s monthly turnover of their shop has been above Rs.1,50,000, 32 per cent of them have stated that their monthly turnover has been less than Rs.50,000, 18 per cent of the respondents’ monthly turnover has been between Rs.50,000 – 1,00,000 and 17 per cent of them have stated that their monthly turnover have been between Rs.1,00,000 – 1,50,000. It is ascertained that majority of the retailers’ monthly turnover has been above Rs. 1, 50,000.

### TYPE OF ECO FRIENDLY PRODUCTS SOLD IN RETAIL SHOP

Following table shows the type of eco friendly products sold by the retailers in their shop.

**Table 2 : Type of eco friendly products sold in their retail shop**

Types of Green products	No. of Respondents	Per cent
Solar Products	27	27.0
Durables	15	15.0
Non-durables	33	33.0
Organic	14	14.0
Stationery	11	11.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

(Source: Computed)

It is noted from above table that 33 per cent of the respondents have sell non-durables viz., beauty, health

and personal care products, 27 per cent of them sell solar products in their shop, 15 per cent of the respondents’ sell durables viz., energy saving home appliances, 14 per cent of them sell organic products and 11 per cent of the respondents sell stationery products. Hence, it is seen that most of the retailers have sell non-durables because of demand for the same.

### FACTORS THAT INFLUENCED THE RETAILER TO SELL ECO FRIENDLY PRODUCTS

Descriptive statistics namely mean and standard deviation has been applied to find out the factors that influenced the retailers to choose select green products for sale in their shop.

**Table 3 : Factors which influenced the retailers to include green products in business**

Factors	N	Mini mum	Maxi mum	Mean	S.D
Own interest	100	3	5	4.75	.457
To earn more profit	100	2	5	4.40	.752
To provide varieties	100	2	5	4.32	.802
Protect the environment	100	2	5	4.59	.587
To overcome competition	100	1	5	4.28	.888
Reduce health issues and safety	100	3	5	4.54	.610
Retain/satisfy the consumers	100	2	5	4.54	.610
Better business opportunity	100	1	5	4.25	.868
High demand	100	1	5	4.24	.854
Good product quality	100	3	5	4.50	.577

(Source: Computed)

On a five point scale the factors that influenced the retailers to include green products in their business have been assigned ratings by the respondents ranging from 1 to 5, where 1 represents strongly disagree, 2 represents disagree, 3 represents neutral, 4 represents agree and 5 represents strongly agree.

From the mean ratings computed based upon the response of the retailers it is evident that most of the retailers have *strongly agreed* that because of ‘own interest’ (mean 4.75) only they have included eco friendly products for sale in their business, followed by ‘protect the environment’ (mean 4.59), ‘reduce health issues and safety’ (mean 4.54), ‘retain /satisfy the consumers’ (mean 4.54) and ‘good product quality’ (mean 4.50). Most of the retailers have *agreed* that they include eco friendly products in business ‘to earn

more profit' (mean 4.40), followed by 'to provide varieties' (mean 4.32), 'to overcome the competition' (mean 4.28), 'better business opportunity' (mean 4.25) and 'high demand' (mean 4.24).

To know whether there has been significant variation among the respondents in the 'factors that influenced them to include eco friendly products in their business', ANOVA has been applied and tested. The influence score has been identified by adding the ratings given by the retailers for the factors influenced them to sell green products.

**H<sub>0</sub>:** "There has been no significant difference in the scores of the factors that influenced the retailers to include green products in their business, when they have been classified based upon the age, type of retail shop, period of trading in green products and monthly turnover'.

The null hypothesis has been tested for each of the business related factors separately and is presented in the following table.

The F-ratio value has proved that there has been no significant difference in the factors that influence the respondents to include green products in their business, when they have been classified based on age. Hence, the null hypothesis has been accepted.

A high mean score of 45.06 have been found for the respondents who are running speciality shops. A low mean score of 43.96 have been identified for the respondents who are running simple retail shop. With the F-ratio value it has been noted that there is no significant difference in

the factors that influence the respondents to include green products in their business, when they have been classified based on type of retail shop. Hence, the null hypothesis is accepted.

Influence score is found to be low for the retailers those who are trading in eco friendly products for the period of less than 1 year (mean score 43.98) and a high mean score of 46.15 has been found for the respondents those who are trading in green products for the period of 1-3 years. With the F-ratio value it has been concluded that there is no significant difference in the factors that influence the respondents to include green products in their business, when they have been classified based on period of trading in green products. Thus, the null hypothesis has been accepted with respect to the factor 'period of trading in green products'.

The respondents whose monthly turnover of the shop is above Rs.1,50,000 have a high mean score of 45.03 and a low mean score of 42.88 is found for the respondents' whose monthly turnover ranges between Rs.50,001 - Rs.1,00,000. The F-ratio value has revealed that there is no significant difference in the factors influenced the respondents to include green products in their business, when they have been classified based on monthly turnover of the shop, thereby, the null hypothesis has been accepted.

The overall results of ANOVA has shown that the factors that influenced the retailers to include eco friendly products in their business have not varied significantly, when they have been classified based upon the age, type of retail shop,

**Table 4 : Influence score for green products Vs. Business profile**

		Influence score for green products			Table Value	F	Sig.
		Mean	S.D	No.			
Age	20-30 yrs	45.25	4.37	24	2.699	1.427	Ns
	31-40 yrs	44.73	3.61	41			
	41-50 yrs	43.30	3.39	30			
	Above 50 yrs	44.40	1.82	5			
Type of retail shop	Simple retail shop	43.96	4.11	57	3.090	.970	Ns
	Departmental stores	44.83	2.66	12			
	Speciality shop	45.06	3.23	31			
Period of trading in green products	Less than 1 yr	43.98	3.69	13	2.699	1.235	Ns
	1 -3 yrs	46.15	3.97	49			
	4-5 yrs	44.54	3.16	24			
	Above 5 yrs	44.07	3.52	14			
Monthly turnover	Less than Rs.50000	43.78	3.83	32	2.699	1.694	Ns
	Rs.50001- Rs.100000	42.88	3.75	18			
	Rs.1,00,000 - 1,50,000	44.94	3.95	17			
	Above Rs.1,50,000	45.03	3.31	33			
<b>Total</b>		<b>44.41</b>	<b>3.71</b>	<b>100</b>			

(Source: Computed

NS - Not significant)

period of trading in green products and monthly turnover. Hence, the null hypothesis has been accepted.

To study the variations in the factors influenced the retailers to include green products in their business, when the respondents have been categorised into two groups, t-Test has been applied. The factors influenced the respondents 'to include green products for sale' have been averaged and the mean scores have been used as dependent variable for t-Test and the independent variables considered has been the 'nature of ownership and nature of products sold'.

**H<sub>0</sub>:** "There has been no significant difference in the influence scores of the retailers when they have been classified based upon 'nature of ownership and nature of products sold'.

**Table 5 : Influence score Vs. Business variables**

		Influence score			Table Value	T	Sig.
		Mean	S.D	No.			
Nature of ownership	Sole proprietorship	44.31	3.85	74	1.984	0.449	Ns
	Partnership	44.69	3.32	26			
Nature of products sold	Only green products	44.34	4.03	53	1.984	0.200	Ns
	Both green and other products	44.49	3.35	47			
	<b>Total</b>	<b>44.41</b>	<b>3.71</b>	<b>100</b>			

(Source: Computed)

NS – Not Significant)

It has been clear that the overall opinion of the respondents have not varied much when they have been classified based upon 'nature of ownership' and 'nature of products sold'. The t-Test value confirms that there has been no significant difference in the influence scores when they have been classified based on 'nature of ownership' and 'nature of products sold'. Hence, the null hypothesis has been accepted.

**RETAILERS OPINION ABOUT CONSUMERS BUYING ATTITUDE OF ECO FRIENDLY PRODUCTS**

Consumers' preference and buying behaviour of the green products has been a major deciding factor that provokes the retailers to deal with the eco friendly products. Hence, it is mandatory to identify the consumers' preference and buying behaviour to make sure that the best has been delivered to them.

**Identification of green products by the consumers**

Table 6 represents whether the consumers specifically identify the eco friendly products while making the purchase.

**Table 6 : Identification of green products by the consumers**

Identification of green products	No. of Respondents	Per cent
Yes	95	95.0
No	5	5.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

(Source: Computed)

It is inferred from the table 6 that majority (95 per cent) of the retailers have mentioned that their consumers specifically identify eco friendly products while purchasing and 5 per cent of them have mentioned that consumers have not been able to identify eco friendly products specifically. Hence, majority of the respondents have mentioned that their consumers specifically identify green products.

**Factors that help the consumers to identify green products**

The retailers have been asked to state their opinion towards the factors help their consumers to identify eco friendly products, has been analysed and presented.

**Table 7 : Factors that help the consumers to identify eco friendly products (Multiple Response)**

Factors	No. of Respondents	Per cent
Green Products Certifications	46	52.3
Labels/Logos	65	73.9
Green seal	21	23.9
Written instructions in the pack	46	52.3
Special section for green products	31	35.2
Reputation/brand	24	27.3

(Source: Computed)

From the table 7 it is inferred that 73.9 per cent of the respondents have said that their consumers have been identifying green products by its specific 'labels and logos', 52.3 per cent of them opined that their consumers identify eco friendly products by 'green products certifications' and 'written instructions in the pack'. 35.2 per cent of them have stated that their consumers identify the eco friendly products through 'special section', 27.3 per cent of their consumers identify the products through 'reputation or

brand' and 23.9 per cent of the respondents have said that their consumers identify the eco friendly products through 'green seal'. Hence, most of the retailers have stated that their consumers identify eco friendly products by its specific 'labels and logos'.

**Consumers willingness to pay more for eco friendly products**

The following table depicts the retailers' opinion about consumers' willingness to pay more for eco friendly products have been analysed and presented.

**Table 8 : Consumers' willingness to pay more for eco friendly products**

Consumers willingness to pay more for eco friendly products	No. of Respondents	Per cent
Yes	89	89.0
No	11	11.0
<b>Total</b>	<b>100</b>	<b>100.0</b>

(Source: Computed)

It is inferred from the table 8 that majority (89 per cent) of the retailers have agreed that consumers are willing to pay more for green products whereas, 11 per cent of them have opined that their consumers are not willing to pay more for eco friendly products. Hence, majority of the retailers have agreed that consumers are willing to pay more for eco friendly products.

The following table indicates the retailers' opinion about consumers' willingness to pay more for the selected eco friendly products.

**Table 9 : Consumers' willingness to pay more for eco friendly products (Multiple Response)**

Reasons	No. of Respondents	Per cent
Health and safety consciousness	51	57.3
Environmental protection	39	43.8
Energy efficient	55	61.8
Sustainability	75	84.3
Quality and reliability	42	47.2

(Source: Computed)

Out of the 89 retailers have said that their consumers are willing to pay more for eco friendly products, 84.3 per cent of the retailers have stated that 'sustainability' of eco friendly products is the significant reason to pay more,

61.8 per cent of them opined that their consumers are ready to spend more for green products because of 'energy efficient' feature, 57.3 per cent of them said 'health and safety consciousness' attitude of consumers is the reason to pay more for selected green products, eco friendly products are good in 'quality and reliability' is the reason to pay more by consumers said by 47.2 per cent of retailers and 43.8 per cent of the retailers opined that the consumers are ready to pay extra for 'environment protection'. Hence, it is concluded that majority of the retailers have said that sustainability of the eco friendly products is the significant reason to pay more.

The following table shows the retailers opinion about the reasons owing to which, consumers are not willing to pay more for green products:

**Table 10 : Consumers' unwillingness to pay more for eco friendly products (Multiple Response)**

Reasons	No. of Respondents	Per cent
Cannot see the benefit	3	27.3
Product cost is high	8	72.7
Environmental issues is a trick	4	36.4
Similar products are available at low cost	4	36.4

(Source: Computed)

Out of the 11 retailers' opined about the consumers who are not willing to pay more for green products, 72.7 per cent of the retailers said that consumers are not willing to pay more for eco friendly products because they feel 'cost is high', 36.4 per cent of them said consumers have opined that 'environmental issues is a trick' and 'similar products are available at low cost' and 27.3 per cent of the retailers said consumers are not interested that they 'cannot see the benefit' of eco friendly products. Therefore, most of the retailers said consumers are not willing to pay more for eco friendly product because they feel cost is high.

**PROBLEMS FACED BY THE RETAILERS IN SELLING GREEN PRODUCTS**

Retailers have been requested to rank their problems in selling green products, thereby, they have given the rank 1 to the major problem and 6 to the least problem they have faced. The mean value of the ranks have been found and shown in the following table.

**Table 11 : Problems faced by the retailers in selling green products**

S. No	Factors	Mean Rank	Final Rank
1	Lack of awareness among consumers	3.37	III
2	Requires high promotional cost / high capital investment	3.29	II
3	Tough competition	3.86	V
4	High cost of product	2.32	I
5	Less varieties	4.38	VI
6	Not easily available /	3.78	IV

(Source: Computed)

From the above mean rank table, it has been confirmed that majority of the retailers have opined that ‘lack of awareness among consumers’ about eco friendly products is the major problem and hence it have been ranked by the retailers as number one (mean rank 2.32), followed by ‘requires high promotional cost / capital investment’ (mean rank 3.29), next followed by ‘high cost of product’ required for selling green products thus it have been ranked as three (mean rank 3.37), ‘not easily available’ have been given fourth rank (mean rank 3.78), fifth rank have been assigned to ‘tough competition’ (mean rank 3.86) and sixth rank have been assigned to ‘less varieties’ in green products.

Kendall’s coefficient of concordance (W) has been used to find the extent of similarity among the respondents in the order of assigning the ranks to the problems faced by them in selling green products listed in the above table 11. Kendall’s (W) ranges between 0 and 1, higher the volume of W, more will be the similarity among the respondents.

**Table 11 a : Test Statistics – Kendall’s Coefficient of Concordance**

Kendall’s W	0.139
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(Source: Computed)

From the table 11 a, it has been noted that the ‘W’ 0.139 shows that there exists low level of similarity among the respondents in assigning ranks to the problems faced by the respondents in selling green products that vary based upon their own experience in selling green products.

## CONCLUSION

The analytical study on “Perception of Sellers of Eco-friendly Products – An Analytical Study” in Coimbatore helped in identifying the retailers’ business profile, their opinion about consumers buying attitude of eco friendly products and the challenges faced by them in promoting eco friendly products. It has been acknowledged that majority of the retailers have said because of own interest only they include eco friendly products in their business. The study has also acknowledged that consumers are willing to buy eco friendly products because of the sustainability feature of the green products and also they have stated that the most significant problem they have faced as lack of awareness among the consumers about the eco friendly products and huge capital is required for investment. To overcome these challenges the marketers provide advertisements about the eco friendly products to create awareness among the public and also government should provide subsidy or loan facilities to the sellers.

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## Personality Traits Required for Entrepreneurs: A Study in Silchar Town of Assam

### ABSTRACT

*It is the entrepreneurs in a country who not only coin newer ideas to attend the latest needs of the goods and services of the people but also discover newer customer groups, geographical locations and sources of capital. Having an understanding of the market requirements and accordingly making apt decisions are the scores on the report card for any entrepreneur. One of the facts is that each entrepreneur does not score alike in the test. In addition to other reasons this difference is because of dissimilar personality traits present in entrepreneurs. This paper is an effort to bring this personality traits matter into the streamline. In the process of identifying the required personality traits with the desired degree of presence the perception of the fifty eight entrepreneurs of Silchar town having a minimum of two years of experience as entrepreneurs and varied background in terms of age, capital invested, source of capital and type of business have been taken into consideration. The study centers around fifty eight traits identified and selected for the purpose. For making the text and the study lucid the traits selected have been divided into five categories. Personality traits viz. decision making, communicating, responsible, hard working and focused were some of the personality traits which outcast other personality traits and come up to be the top five, among all, selected personality traits to make a successful entrepreneur. Other essential traits that ranked high to be successful entrepreneurs are responsible, confidence, dedication, active, and inter personal skills.*

### INTRODUCTION

Increased internationalization of business world over has pushed the entrepreneurs towards more fierce competition. Academicians, researchers and practitioners in the field naturally started looking for the ways and means with the help of which this challenge can be met. Initially they confronted with the perception that the entrepreneurial skill is something such which is god gifted and inherited by the persons. The researches were conducted to discover the amount of truth in this belief. Noticeable among these were the experiments, of which 'Kakinada experiment' was one which was undertaken in January 1964 in Andhra Pradesh at the place 'Kakinada'. The results of these experiments proved that the entrepreneurial traits and characteristics are also the ones which can be inculcated in the people identified for the purpose (McClelland, 1965). After it got established that entrepreneurship is a science too which can be taught and learnt the stakeholders, especially the researchers, started putting their heads to discover those traits and characteristics which matter in developing a person a better entrepreneur, in addition to devoting their time in developing the literature which can be imparted to the identified persons in grooming them as entrepreneurs. The journey is on.

### OBJECTIVES OF THE STUDY

- To identify the personality traits required to be there in a person to become a successful entrepreneur.
- To study the relative worth of the identified personality traits under different groups required to be there in a successful entrepreneur as perceived by the entrepreneurs of Silchar town.

### Key words

Entrepreneurs,  
Entrepreneurship,  
Personality Traits, North-  
East India

- To study the overall relative worth of the traits under study as perceived by the entrepreneurs of Silchar town.

## RESEARCH METHODOLOGY

- **Type of Research:** Descriptive
- **Selection of entrepreneurial traits:** In order to attain the first objective initially an extensive review of the existing literature was carried out to identify the various personality traits that might be required to be a successful entrepreneur. To cross check the relevance of the traits identified through the said literature review an exercise of in-depth personal interview with some senior entrepreneurs was conducted. In a way this was a pilot survey. These exercises facilitated the selection of the entrepreneurial traits to be included in the questionnaire for finding out the relative worth of these traits required to be there in the entrepreneurs.
- **Survey instrument:** Since the study called for the collection of primary data, a structured questionnaire was developed to have the views on the matter from the entrepreneurs under study. The questionnaire included in it two sections- section one contained the questions relating to demographic factors/information relating to respondent and section two of the questionnaire contained such questions which were intended to elicit the perceptions of the entrepreneurs **over the degree of requirement of the select traits**. In other words, the data was collected from the entrepreneurs to know **the relative worth of the traits** identified and selected as perceived by the sample entrepreneurs.
- **Survey Design:** A sample of 58 entrepreneurs was picked up from the population of entrepreneurs in Silchar Town. Sampling technique was convenient one. The population contained in it two kinds of entrepreneurs, the registered ones and also the unregistered ones. The ones who were registered approximately 150. As per a wild estimation the unregistered ones were more than 500, the number of whom was not easily possible to count. The consideration made during the exercise of filling in the questionnaires was that- each entrepreneur must have experience of handling his/her enterprise for at least two years.

## MEANING OF ENTREPRENEURIAL COMPETENCY OR TRAIT

The word 'Entrepreneur' is derived from the French word 'Enterprendre' which means 'to undertake'. In 16th century, the French men who undertook military expeditions were referred to as "Entrepreneurs". Later the word 'entrepreneur' got associated with persons who start their own enterprises, i.e., risk for establishing a venture which is ones' own. Hence, all new business units which come into existence are by entrepreneurs and can be called as enterprises, but all entrepreneurs need not start/establish business enterprises. Entrepreneurship can be in other areas also, which may not be dominated only by business concerns (Baporika, 2002).

Competence is an underlying characteristic of a person which leads to his /her effective or superior performance in a job. A job competence is a good combination of one's underlying characteristics such as one's knowledge, skill, motive and the like which one uses to perform a given job well. It is important to mention that the existence of these underlying characteristics may or may not be known to the person concerned. This implies that the underlying characteristics may be unconscious aspects of the person. The underlying characteristics possessed by an entrepreneur resulting in superior performance are called the 'entrepreneurial competencies' or 'traits'.

## REVIEW OF LITERATURE

Abdulwahab and Al- Damen (2015) conducted a study to investigate the impact of the entrepreneurs' characteristics on small business success. While their survey of the sample they identified some of the important characteristics of an entrepreneur such as need for achievement, self confidence, pro-activeness, independence and responsibility, risk taking propensity and experience.

Samydevan et al. (2015) conducted a study to examine the level of impact of psychological traits, education and culture on entrepreneurial intentions among pre-university students in Malaysia. The study suggested the following traits which are likely to influence the success of an entrepreneur - Risk propensity, entrepreneurial self - efficacy, self confidence, need for achievement, tolerance of ambiguity, innovativeness, entrepreneurship education, culture, locus of control and entrepreneurial intention.

Singh and Rahman (2013) tried to identify in their study, the important traits of a successful entrepreneur. The study

was carried out with a representative sample of 85 entrepreneurs. They concluded that there are 14 traits which contributed towards the success of entrepreneurs: individual smartness, creativity, innovativeness, self efficacy, dedication and hard work, internal locus of control, risk taking propensity, tolerance of uncertainty, sincerity and commitment, continuing for long time, good planning, ability to make decision, adaptive to change and goal oriented.

Abdulaziz.A.H and Habib. M.A. (2012) conducted a research work with the aim of identifying the personality traits of potential entrepreneurs among college students of Saudi Arabia. The sample included 300 undergraduates. The research work implied that entrepreneurs possess high level of innovativeness, energy, risk taking propensity and internal locus of control as compared to non-entrepreneurs. The result indicated that there are significant differences between an entrepreneur and a non entrepreneur along the four personality variables examined in the study.

### PERSONALITY TRAITS IDENTIFIED AND SELECTED FOR THE STUDY

For the study a list of 58 personality traits, that are to be required in a person to be a successful entrepreneur were identified on first hand and later these were divided into five (5) major groups, which for the convenience of comprehension, has been termed as **Group**. Each of these groups entail in it varying number of traits (components of the group) which fall under the gamut of these groups

These groups and its components are depicted below:

- **Skills and Abilities Largely Innate Traits:** *Innate* can also be used figuratively for something that comes from the mind rather than from external source(s). Skills and abilities largely innate mean the skills and abilities which are mostly inherent in a person. Intelligent, Hard Working, Leading, Willing, Innovative, Careful, Active, Responsible, Enterprising and sincere are the traits categorized under this group.
- **Skills and Abilities Largely Acquired:** Acquired traits can be defined as characteristics that produce a phenotype that is the result of an environmental influence. These are the results of external influences or own activities (of a person). So such traits are not inherent. Delegating, Knowledgeable, Promoting,

Communicating, Educated, Marketing skills, Inter personal skills, Decision Making are the traits categorized under this group.

- **Psychological Traits:** Psychological Traits can be defined as habitual patterns of thought(s) and emotion(s) of a person. Inquisitive, Farsighted, Will power, Confident, Focused, Self motivated, Passionate, Planner, Patient, Aspiring, Thoughtful, Judicious, Perceptive and Empathetic are the traits grouped under this group.
- **Behavioural Traits:** Behavioural trait is an action commonly observed in individuals by themselves. The traits Smart, Discipline, Persuasive, Organised, Perseverant, Dedicated, Integrity, Calm, Modest, Tolerant, Motivating and Fair are the ones categorized under this group.
- **Attitudinal Traits:** Attitudinal Traits are the manner, disposition, feeling, position, etc., with regard to a thing, tendency or orientation, especially of the mind. Risk taking, Goal oriented, Optimistic, Adaptable, Frugal, Pragmatic, Challenging, Competitive, Rational, Tenacious, Independent, Problem solving, Principled and Ethical are the traits grouped under this group.

### RELATIVE WORTH OF THE ENTREPRENEURIAL TRAITS UNDER EACH GROUP

The relative worth of the entrepreneurial traits as felt by the entrepreneurs' of Silchar under different groups are discussed in table no. 7.1, 7.2, 7.3, 7.4 and 7.5.

**Table 1: Relative worth of the traits under the group Skills and Abilities-Largely Innate**

Skills and Abilities-Largely Innate	Mean		Standard deviation	
	Score	Rank	Score	Rank
Intelligent	3.98	7	0.982	8
Hard Working	4.43	1.5	0.901	3
Leading	4.00	6	1.026	9
Willing	4.05	5	0.926	4
Innovative	3.91	8	0.960	6
Careful	3.86	9	1.050	10
Active	4.31	3	0.977	7
Responsible	4.43	1.5	0.840	1
Sincere	4.14	4	0.868	2
Enterprising	3.74	10	0.947	5

Source: Field Survey

Table 7.1 depicts the relative worth of the traits under the group Skills and Abilities Largely Innate. It is clear from the table that in terms of degree of requirement, the traits *'Hard Working'* and *'Responsible'* were in the 1.5<sup>th</sup> rank as both these two had equal *mean score* of 4.43. The trait *'Active'* was in the 3<sup>rd</sup> rank with the *mean score* of 4.31.

The table also shows that in terms of degree of variation (SD) in the opinion, the trait *'Responsible'* was in the 1<sup>st</sup> rank as it had the lowest standard deviation i.e., 0.840. The trait *'Sincere'* secured the 2<sup>nd</sup> rank with standard deviation of 0.868 and the trait *'Hard Working'* obtained the 3<sup>rd</sup> rank with a standard deviation of 0.901.

**Table 2: Relative worth of the traits under the group Skills and Abilities-Largely Acquired**

Skills and Abilities-Largely Acquired	Mean		Standard Deviation	
	Score	Rank	Score	Rank
Delegating	3.50	6	1.064	7
Knowledgeable	4.00	5	1.060	6
Promoting	3.86	7	0.926	5
Communicating	4.43	2	0.704	2
Educated	3.43	8	1.216	8
Marketing skills	4.21	4	0.913	4
Inter personal skills	4.24	3	0.757	3
Decision making	4.60	1	0.647	1

Source: Field Survey

Table 7.2 shows the relative worth of the traits under the group, Skills and Abilities Largely Acquired. It is clear from the table that in terms of degree of requirement the trait *'Decision making'* was in the 1<sup>st</sup> rank with a *mean score* of 4.60. The trait *'Communicating'* secured the 2<sup>nd</sup> rank with the *mean score* of 4.43 and the trait *'Inter personal skills'* fell in 3<sup>rd</sup> rank with a *mean score* of 4.24.

The table also shows that in terms of degree of dispersion (SD) in responses the trait *'Decision making'* was in the 1<sup>st</sup> rank with the *standard deviation* of 0.647. The trait *'Communicating'* was in the 2<sup>nd</sup> rank with the *standard deviation* of 0.704 and the trait *'Inter personal skills'* secured the 3<sup>rd</sup> rank with the *standard deviation* of 0.647.

**Table 3: Relative worth of the traits under the group Psychological Traits**

Psychological Traits	Mean		Standard Deviation	
	Score	Rank	Score	Rank
Inquisitive	3.97	6.5	0.991	8
Farsighted	3.86	8	0.945	5
Will power	4.21	3	1.022	9
Confident	4.41	1	0.795	1
Focused	4.34	2	0.890	3
Self motivated	4.19	4.5	0.847	2
Passionate	3.81	10	1.067	10
Planner	3.97	6.5	0.955	6
Patient	4.19	4.5	1.100	12
Aspiring	3.83	9	0.939	4
Thoughtful	3.62	11	1.089	11
Judicious	3.38	14	1.137	13
Perceptive	3.43	13	1.141	14
Empathetic	3.57	12	0.957	7

Source: Field Survey

Table 7.3 depicts the relative worth of the traits under Psychological Traits. It is evident from the table that in terms of degree of requirement, the trait *'Confident'* was in the 1<sup>st</sup> rank with the *mean score* of 4.41. The trait *'Focused'* secured the 2<sup>nd</sup> rank with the *mean score* of 4.34 and the trait *'Will power'* secured the 3<sup>rd</sup> rank with the *mean score* of 4.21.

The table also shows that in terms of variation in responses (S.D.) the trait *'Confident'* secured the 1<sup>st</sup> rank with the *standard deviation* of 0.795, the trait *'Self motivated'* secured the 2<sup>nd</sup> rank with the *standard deviation* of 0.847 and the trait *'Focused'* attained the 3<sup>rd</sup> rank with the *standard deviation* of 0.890.

**Table 4: Relative worth of the traits under the group Behavioral Traits**

Behavioral Traits	Mean		Standard Deviation	
	Score	Rank	Score	Rank
Smartness	3.95	5	1.176	11
Disciplined	4.17	3	1.126	12
Persuasive	3.83	10	1.110	10
Organizing	3.98	4	0.927	3
Perseverance	3.93	6	0.792	1
Dedication	4.41	1	0.937	4
Integrity	3.79	11	1.104	9
Calm	3.86	8	0.999	6
Modest	3.72	12	1.005	7
Tolerant	3.84	9	0.951	5
Motivated	4.22	2	0.796	2
Fair	3.88	7	1.010	8

Source: Field Survey

Table 7.4 shows the relative worth of the traits under the group **Behavioral Traits**. It is clear from the table that in terms of degrees of requirement, the trait *'Dedicated'* secured the **1st** rank with the *mean score of 4.41*, the trait *'Motivating'* secured **2nd** rank with the *mean score of 4.22* and the trait *'Disciplined'* obtained the **3rd** rank with the *mean score of 4.17*.

The table also shows that in terms of dispersion (S.D.) in opinions, the trait *'Perseverant'* secured the **1st** rank with the *standard deviation of 0.79*, the trait *'Motivating'* fell in the **2nd** rank with the *standard deviation of 0.796* and the trait *'Organized'* procured the **3rd** rank with the *standard deviation of 0.927*.

**Table 5: Relative worth of the traits under the group Attitudinal Trait**

Attitudinal Traits	Mean		Standard Deviation	
	Score	Rank	Score	Rank
Risk taking	4.17	4	0.994	6
Goal oriented	4.28	2	0.874	1
Optimistic	4.03	7	0.955	5
Adaptable	3.97	8	0.898	4
Frugal	4.33	1	6.860	14
Pragmatic	3.57	13	1.094	11
Challenging	4.09	6	0.996	7
Competitive	4.12	5	1.027	9
Rational	3.38	14	0.895	3
Tenacious	3.76	10	1.048	10
Independent	3.71	11.5	1.124	12.5
Problem solving	4.19	3	0.888	2
Principled	3.90	9	1.003	8
Ethical	3.71	11.5	1.124	12.5

Source: Field Survey

Table 7.5 shows the relative worth of the traits under the group Attitudinal Trait. It is clear from the table that in terms of degree of requirement the trait *'Frugal'* got the **1st** rank with the *mean score of 4.33*, the trait *'Goal oriented'* secured the **2nd** rank with the *mean score of 4.28* and the trait *'Problem solving'* stood **3rd** with the *mean score of 4.19*.

The table also shows that in terms of variation in responses (SD) the trait *'Goal oriented'* secured the **1st** rank with the *standard deviation of 0.874*, the trait *'Problem solving'* acquired the **2nd** rank with the *standard deviation of 0.888* and the trait *'Rational'* could secure only **3rd** rank with the *standard deviation of 0.895*.

**OVERALL RELATIVE WORTH OF ALL THE SELECT PERSONALITY TRAITS**

After comparing the relative worth of the personality traits under each group it was felt necessary to compare the

overall position of each of the personality traits. The overall position of the personality traits is depicted in table no. 8.1

**Table 6: Statement delineating overall ranks of entrepreneurial traits under the study**

Entrepreneurial Traits	Total Score	Mean		Standard Deviation	
		Score	Rank	Score	Rank
Intelligent	231	3.98	27.5	0.982	30
Hard Working	257	4.43	3	0.901	15
Leading	232	4.00	25.5	1.026	39
Willing	235	4.05	23	0.926	17.5
Innovative	227	3.91	34	0.960	28
Careful	224	3.86	38.5	1.050	42
Active	250	4.31	9	0.977	29
Responsible	257	4.43	3	0.840	7
Sincere	240	4.14	20	0.868	9
Enterprising	217	3.74	47	0.947	23
Inquisitive	230	3.97	30	0.991	31
Farsighted	224	3.86	38.5	0.945	22
Will power	244	4.21	13.5	1.022	38
Confident	256	4.41	5.5	0.795	5
Focused	252	4.34	7	0.890	12
Self motivated	243	4.19	16	0.847	8
Passionate	221	3.81	44	1.067	45
Planner	230	3.97	30	0.955	25.5
Patient	243	4.19	16	1.100	48
Aspiring	222	3.83	42.5	0.939	21
Thoughtful	210	3.62	51	1.089	46
Judicious	196	3.38	57.5	1.137	54
Perceptive	199	3.43	55.5	1.141	55
Empathetic	207	3.57	52.5	0.957	27
Smart	229	3.95	32	1.176	56
Disciplined	242	4.17	18.5	1.126	53
Persuasive	222	3.83	42.5	1.110	50
Organized	231	3.98	27.5	0.927	19
Perseverant	228	3.93	33	0.792	4
Dedicated	256	4.41	5.5	0.937	20
Integrity	220	3.79	45	1.104	49
Calm	224	3.86	38.5	0.999	34
Modest	216	3.72	48	1.005	36
Tolerant	223	3.84	41	0.951	24
Motivating	245	4.22	12	0.796	6
Fair	225	3.88	36	1.010	37
Risk taking	242	4.17	18.5	0.994	32
Goal oriented	248	4.28	10	0.874	10
Optimistic	234	4.03	24	0.955	25.5
Adaptable	230	3.97	30	0.898	14
Frugal	251	4.33	8	6.860	58
Pragmatic	207	3.57	52.5	1.094	47
Challenging	237	4.09	22	0.996	33
Competitive	239	4.12	21	1.027	40
Rational	196	3.38	57.5	0.895	13
Tenacious	218	3.76	46	1.048	41
Independent	215	3.71	49.5	1.124	51.5
Problem solving	243	4.19	16	0.888	11
Principled	226	3.90	35	1.003	35
Ethical	215	3.71	49.5	1.124	51.5
Delegating	203	3.50	54	1.064	44
Knowledgeable	232	4.00	25.5	1.060	43
Promoting	224	3.86	38.5	0.926	17.5
Communicating	257	4.43	3	0.704	2
Educated	199	3.43	55.5	1.216	57
Marketing skills	244	4.21	13.5	0.913	16
Inter personal skills	246	4.24	11	0.757	3
Decision making	267	4.60	1	0.647	1

Source: Field Survey

Table 8.1 reveals that in terms of *degree of requirement*, the entrepreneurial traits namely *Decision Making* (4.60), *Communicating* (4.43), *Responsible* (4.43), *Hard Working* (4.43) and *Focused* (4.34) were found as the **top five** traits required to be there in an entrepreneur. The traits *Judicious* (3.38), *Rational* (3.38), *Educated* (3.43), *Perceptive* (3.43) and *Delegating* (3.50) were ranked as the **bottom five** traits in terms of degree of its requirement.

In terms of *variation (SD)* in the responses over the degree of requirement, the **top five** traits were *Decision making* (0.647), *Communicating* (0.704), *Inter personal skills* (0.757), *Perseverant* (0.792) and *Motivating* (0.796). The traits *Frugal* (6.860), *Educated* (1.216), *Smart* (1.176), *Perceptive* (1.141) and *Judicious* (1.137) fell in the **bottom five** ranks in the opinion of the respondents.

## SUMMARY OF FINDINGS

- In the group Skills and Abilities- Largely Innate Traits, *Hard Working*, *Responsible* and *Active* were the top three traits that are required to be there in an entrepreneur.
- In the group Psychological Traits, *Confident*, *Focused* and *will power* were the top three traits that are required to be there in an entrepreneur.
- In the group Behavioral Traits, *Dedicated*, *Disciplined* and *Motivating* were the top three traits that are required to be there in an entrepreneur.
- In the group Attitudinal Traits, *Frugal*, *Goal oriented* and *Problem solving* were found as the top three traits that are required to be there in an entrepreneur.
- In the group Skills and Abilities- Largely Acquired, *Decision making*, *communicating* and *Inter personal skills* were the top three traits that are required to be there in an entrepreneur.
- When all the traits were considered in totality it was found that the entrepreneurial traits namely *Decision Making*, *Communicating*, *Responsible*, *Hard working* and *Focused* were found as the top five traits which are required to be an entrepreneur. And on the reverse the traits *Judicious*, *Rational*, *Educated*, *Perceptive* and *Delegating* were ranked as the bottom five traits in terms of its relative worth.

## MATTER FOR CONSIDERATION BASED ON THE STUDY

When we discuss about entrepreneurship we must realize that it is of utmost importance to any economy, especially the one which is either in its primitive stage or it is yet to attain the advanced stage. When the matter is of acquiring knowledge about the personality traits of entrepreneurs it is seemingly a matter of peripheral knowledge but in fact it is of pivotal importance.

The paper at hand is an attempt to identify the traits which might be required in varying degrees for being a successful entrepreneur. The fifty eight traits so studied were divided in five different clusters in terms of extent of its desirability i.e., very largely, largely, moderately, somewhat and little. Even though the study concludes identifying five groups of the traits, based on the degrees of its requirement for being a successful entrepreneur, the authors feel that more studies of this pattern can be undertaken **with specialized kind of small clusters of enterprises** may be on the following lines, as the required traits identified are general in its character.

- Size of business i.e., small, medium or large;
- Business of ancillary, subsidiary or of the stature of suppliers to established brands;
- Size of capital required for the enterprise i.e., large, medium or small;
- Degree of advancement of the technology used for the enterprise i.e., highly advanced, moderately advanced and old;
- Size of manpower requirement i.e., highly automatic, moderately automatic and largely manual;
- Requiring different gestation periods i.e., long run, medium run and the short run;
- Type of operation i.e., manufacturing, service or a blend of the two;
- Age of the product i.e., durable products, semi durables and of the nature of FMCG;
- Reach of the product/service, regional, national or international;
- Having gender specific requirement i.e., requiring women entrepreneurs, male entrepreneurs or a blend of the two;
- Nature of product i.e., agro based, products fast changing its character or the traditional ones;

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# Organisational Culture and Its Contribution to Satisfaction of Employees - A Connotation to Telecom Sector in Rajasthan

Tapasya Julka Malhotra, Shravasti Jain

## ABSTRACT

*Employees are the whole and soul of an organisation. With the increasing rate of attrition and job switching, it becomes tough for managers and top level executives to retain them and keep them satisfied. To bring congruence within their objectives and those of organisation, it is important to create a culture which is open and manageable at the same time. An attempt has been made in this research to study the telecom sector to find whether organisational culture has an impact on job satisfaction across middle level managers. The research was carried out in Bharti Airtel, a telecom company which has the highest market share in India, while study has been confined to the state of Rajasthan only. The results reveal that respondents of the selected company are affected by organisational culture. The employees perceive their culture as important part of the working of their organisation. The culture of proper communication, flow of information, appropriate rewards and recognition, adequate remuneration, allocation of resources, no political influence, cooperation and collaboration. These statements used can be of great help to managers to improvise procedures which define culture in order to keep their employees happier and more enthusiastic to work.*

## PROLOGUE

The government of India possesses a diversified communications system that links all parts of the country. The number of telephone subscribers in India increased from 1,058.86 million at the end of March 16 to 1,059.86 million at the end of Jun-16. This reflects year-on-year (Y-O-Y) growth of 5.25% over the same quarter of 2015. The overall Tele density in India declined from 83.36 as on 31<sup>st</sup> March, 2016 to 83.20 as on 30<sup>th</sup> June, 2016.

Bharti Airtel, being a leading global telecommunications company operating in 18 countries across Asia and Africa, with the customer base of about 3363 million and gross revenue of about Rs. 246,515 million at the end of September 2016. Bharti Airtel has 25.98 % market share (TRAI Annual Report March 2015) which is highest in the country. It has about Rs.1061.50 as its gross revenue, only in Rajasthan. Working on values that is alive, inclusive and respectful, serving the customers to give them enriching experience and a mission to win customers for life, Bharti Airtel emerges with strategies for cost efficiency, market share growth and revenue growth. This builds the purpose of conducting studies in the telecom sector.

All the dimensions of culture influence different perspective of organisational performance in telecom sector. If all the norms and values of employees are according to the organisation, then it is beneficial for the achievement of organisational objectives (Ahmed & Shafiq, 2014).

Vodafone Ghana is noted for its efficiency, effectiveness, reliability, responsiveness and trust in providing services. The corporate culture has a positive impact on the level of productivity of firms is proved to be right (Godson, 2014)

## Key words

Organisational Culture,  
Job Satisfaction, Telecom  
Sector, Employee  
Satisfaction.

Kargas (2015) explained the relationship between culture and leadership effectiveness and the implications about a relationship between inactive leadership and negative culture rating. Lack of coordination between these two elements can lead to change-avoidance phenomena, conflicts between top management and employees and reduced operational efficiency.

Tanjeen (2013)<sup>5</sup> concludes that most of the employees are satisfied with their working conditions, pay, and relationship with colleagues. The study also states some factors that are points of high concern to employees regarding satisfaction which are job security, promotion, relationship with superiors. It recommended that job satisfaction can affect employee's performance, confidence level, and behaviour.

Saeed, Lodhi, Iqbal, Nayyab, Mussawar & Yaseen; (2013)<sup>6</sup> stated that if the employees are satisfied, the employees would give a better service quality in the telecom sector, work greatly depends on the relationship between employees and the environment. Healthy work environment and relations motivate the employees to do good, thus increasing the level of their performance.

Ahmed & Shafiq (2014)<sup>7</sup> aimed to determine the impact of organisational culture on organisational performance in order to know that how culture of an organisation assist in enhancing the organisational performance in different Bahawalpur based franchises of telecom companies. The findings indicate that all the dimension of the culture.

Dahie et. al. (2016)<sup>8</sup> made an effort to examine the effect of organisational culture on employee performance at telecommunication firms in Mogadishu-Somalia. The results of study found that academic achievement had significant positive influence with three independent variables namely: competitive culture, entrepreneurial culture and consensual culture. Also, the result of regression analysis found that three constructs had statistically significant, positive, and straight effects on employee performance.

Studies have been done in the telecom industry on the organisational culture, performance, job satisfaction and other issues. Since it is a service oriented industry and the employees are its base. Researches are performed in order to identify the problems faced by employees so that they can be timely rectified for their betterment.

## **CONCEPTUAL FRAMEWORK OF ORGANISATIONAL CULTURE**

Organisational culture is conceptualised as shared beliefs and values within the organisation that helps to shape the behaviour patterns of employees (Kotter & Heskett, 1992).

Klein (1996) positioned organisational culture as the core of organisation's activities which has aggregate impact on its overall effectiveness and the quality of its product and services. Culture of an organisation is brought about a result of different factors some of which include the influences of national culture, previous events in the organisation, the different personalities and socialization individual members experienced as a result of past educational and work settings (Mahler, 1997). Organizational culture also encourages the innovative thoughts of an employee.

Organisational culture effectively promotes or inhibits cooperation, exchange of knowledge, experience and ideas. Open culture is where employees are allowed to participate in the creative process and strong culture is which is not conducive to creativity and innovation (Katarzynna, 2014).

Organisational culture is stated as the backbone of any organisation. It states the routines and functioning of the organisation. It is the culture which guides all the levels of managers while dealing with different situations. It is considered as a well-defined pattern of beliefs and values which defines the correct way of thinking and acting.

Proper understanding of organisational culture leads towards improvement of employee performance. To develop an organisation that has the competitive advantage of being value-based, then the management needs to pay attention to its organisational culture (Darmawan, 2013).

Organisational culture is linked to organisational commitment that culturally valuable to the organisation or employees, improving culture and organisational commitment and consistency of employee behaviour (Rival, 2014). Organisational culture can be used as a management tool to achieve efficiency, effectiveness, productivity, work ethic (Sutrisno, 2007). Organisational culture can influence people set personal and professional goals, carrying out tasks and use of resources in its achievement (Krimi & Kadir, 2005).

Changes in the organisational culture affects the job satisfaction of the employees and it also changes their behaviours and attitudes (Hebb, 1949; Morse, 1953)<sup>17</sup>. The organisation with positive culture can enhance the performance and satisfaction level of the workers (Zammuto & Krakower, 1991)<sup>18</sup>. The bad and poor culture of the organisation will lower the level of job satisfaction and lower productivity from the employees and ultimately all these factors contribute to decrease the efficiency and performance of the organisation.

Organisational cultures are significantly correlated with leadership behaviour and job satisfaction as well as leadership behaviour is positively correlated with job satisfaction. It is found that the interaction between the leadership and employees is good, then the employees will make a better contribution to team communication and collaboration for mission accomplishment of the organisation (Tsai, 2011)<sup>19</sup>.

Organisational culture plays an indispensable role in the organisation from its formation to transformation. It decides the procedures, roles and regulations of an organisation. It helps to determine the course of action or state the guidelines for facing any crisis. Work culture is that essential part of the organisation which becomes its identity. The employees are affected by the organisational culture as they spend their most of the time here. They wish to work in a stronger and open cultured environment which makes them more satisfied and happier. This enhances their performance level. Managers and top-level management should take care of the work culture and culture change. They should enable a participative and collaborative culture. This would increase transparency and trust among employees and higher levels of management.

## **JOB SATISFACTION**

Locke (1976)<sup>20</sup> defines job satisfaction as a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. Employees who have higher job satisfaction are usually less absent, less likely to leave, more productive, more likely to display organisational commitment and are more likely to be satisfied with their lives (Lease, 1998)<sup>21</sup>. Job satisfaction and dissatisfaction not only depends on the nature of the job but also depends on the expectations of the employees for that job. Job satisfaction is a multi-faceted phenomenon which is

influenced by factors like salary, working environment, autonomy, communication and organisational commitment (Vidal, Valle & Aragon, 2007)<sup>22</sup>. Salary and fair remuneration is found to be the main factor of satisfaction among employees. There is otherwise no limit for the employees to get fully satisfied. It varies from employee to employee (Miller, 2004)<sup>23</sup>. To investigate how are the employees satisfied and measuring the employee satisfaction in the workplace is critical to success and increases the competitive advantage for the company (Kelley, 2005)<sup>24</sup>.

To achieve the organisational quantitative and qualitative goals and enhancing employee's performance, effective intrinsic and extrinsic incentives must be given to employees. Along with monetary, non-monetary benefits like recognizing their work and developing good and healthy employees and employer's relationship are factors in motivating the employees to work hard and perform better (Broad, 2007)<sup>25</sup>. Team work is another concept which define employee performance and work boundaries, limit and streamline scope of work, also give direct the team members towards goal achievement which is integrated with the goals of the organisation (Grant, Fried, Parker & Frese, 2010)<sup>26</sup>.

Among various factors of job satisfaction, fair remuneration is held at the top most rank, and then comes the other factors like supervisor support, work environment, job security. Other set of important factors include proper work-life balance, career opportunities proper training and development programmes. The review suggests that apart from salary, employees need a better work environment, good interpersonal relations, group cohesion, all such values in their work place to keep themselves satisfied and motivated. Thus, these values have to be made part of work culture so that the employees become more enthusiastic to work. This, in turn, will surely enhance performance.

The above review of literature shows that there is a dearth review of literature on organization culture and job satisfaction. But no study has been done by considering all the variables selected by researchers. They made an effort to evaluate the relationship between organization culture and job satisfaction in telecom sector with special reference to Airtel.

## **OBJECTIVES**

The objectives of research study are:

1. To carry out in-depth review of literature about organisational culture in telecom industry.
2. To assess whether organisational culture and its relation with job satisfaction exists in the telecom sector.
3. To study the impact of organisational culture and job satisfaction across the employees in the selected company.
4. To recommend workable measures and strategies for enhancing organisational culture for the enhancement of the level of satisfaction among employees.

## **RELATIONSHIP BETWEEN ORGANISATIONAL CULTURE AND JOB SATISFACTION**

Human resources are the most valuable resources of the organisations. With changing scenario and increased competition makes it more important for the organisation to increase effectiveness. Organisational culture has a strong impact on the employee's retention rate (Sheridan, 1992).

Organisational culture is composed of components of culture and job satisfaction has basic elements as environment variable, Job Characteristic Index and Personality variable. They consist of market opportunity, Autonomy, Role Ambiguity, Distributive Injustice, Role Conflict, Role Overload, Supervisory Support, etc. Strong relationship had been supported between organisational culture and job satisfaction especially in Communication companies with the influence of specialization, rules, meritocracy, separate ownership, and accountability (Ahmad & Mujeeb, 2011).

In a turbulent and challenging environment, complimented with regulatory changes, organisational culture can both energize and direct each members' efforts and action. Individuals need supportive organisational culture to help them achieve individual objectives. An organisation is said to be a consciously coordinated system where effective interaction among the individuals and groups and organisation highly depend upon organisational culture which shapes the individual performance (Kozlowski & Klein, 2000).

Doughty, May et al. (2002) observed that the highly appreciated job satisfaction factors were job involvement, cohesion among colleagues, support from seniors and opportunities for autonomous action.

Koustelios (1991) found that there was a significant difference in job satisfaction among employees who operate in different organisational cultures. He also observed that employees have a match-up between their present and desired culture, they are more satisfied with the intrinsic aspects of their job. Kline and Boyd (1994) explained that different aspects of the working environment should be looked into when addressing the issues of job satisfaction amongst different positions.

Kerego and Mthupha (1997) explained job satisfaction as the evaluation in the organisational context, while organisational climate and culture provide a description of the job context. In the 2000's the results of a number of researches revealed the relation between organisational culture and job satisfaction (Jiang and Klen, 2000; Mckinnon et al., 2003; NavaieWaliser et al., 2004; Rad et al., 2006; Arnold and Spell, 2006; Chang and Lee, 2007; Mansoor and Tayib, 2010).

Sempane et al. (2002) described relation between organisational culture and the variables of job satisfaction, as the latter was found to be able to predict employees' perceptions of organisational culture. Many of them perceived some aspects of organisational culture more positively (e.g. organisational integration, customer orientation) than some others (e.g. conflict resolution, disposition towards change, locus of authority, management style and task structure).

Shurbagi and Zahari (2012) found that the relationship between the four types of organisational culture (Clan, Adhocracy, Market and Hierarchy culture) and the five facets of job satisfaction (Supervision, Benefits, Rewards, Operating and Co-Workers satisfaction) was positive and significant.

The above review states that organisational culture is an element which directly or indirectly influences employee and their satisfaction. This enabled us to create the framework for this paper and proceed towards finding the relationship between these two variables in the telecom company.

**HYPOTHESES:**

- H<sub>1a</sub>: Organisational culture has a significant influence on level of satisfaction of employees.
- H<sub>1b</sub>: There is no significant relation between organisational culture and job satisfaction.

**RESEARCH METHODOLOGY**

**Scope of the study**

Research is focused on determining the organisational culture and its impact on job satisfaction of employees in the telecom sector in Rajasthan. The study is conducted on the middle level managers. Data was collected through simple random sampling.

**Data Collection**

Data was collected from 40 middle level managers in Bharti Airtel, a telecom company. The employees were chosen from the offices in Rajasthan and were middle-level managers.

**Sources of Data**

The study is empirical in nature and emphasizes both on primary and secondary data. Primary data was collected through questionnaires and discussions with respondents. Secondary data was collected through research journals magazines, annual reports, and websites of TRAI and telecom companies.

**Measures**

The questionnaire was prepared for middle level managers of the telecom companies for studying organisational culture and job satisfaction of the employees. The questionnaire comprised of basic demographic information like age, gender, marital status, experience in the present organisation, and level of management followed by two sections – the first section comprised of statements analyzing organisational culture (20 items) and the second section on job satisfaction (14 items).

Five point Likert scale is used in both sections of the questionnaire which ranged from 1: Strongly Agree, 2: Agree, 3: Neutral, 4: Disagree and 5: Strongly Disagree.

**Table 1: Reliability Coefficients of Variables**

	<b>Organisational culture</b>	<b>Job Satisfaction</b>
No. of Items	20	14
Cronbach Alpha	0.995	0.996

The questionnaires were used to study the organisational culture and job satisfaction. The questionnaire was framed and modified in own words. Reliability coefficient i.e. Cronbach Alpha for these two scales was calculated for a sample of 40 employees and exhibited in the table 1 given above.

**Analysis**

To arrive at more appropriate results, the data collected was put through statistical analysis using SPSS (24.0) package. The tools used to test the hypothesis includes: Factor Analysis, Pearson’s Correlation and t-test. The data is tabulated for each variable and studied separately.

**RESULTS AND DISCUSSIONS**

Principal Component Analysis is used here to extract components from questionnaire. Here, the table 2.1 below shows Eigen Values and total Variance explained for the constructs. For job satisfaction, only one component is retained as the principal component using general rule of Eigen Value over 1. Variance explained by the retained principal component is 91.98 percent. Using the same rule, the study also retains another principal component for organisational culture which explains 6.73 percent variance.

**Table 2 : Total Eigen Values**

<b>Component</b>	<b>Extraction Sums of Squared Loadings</b>			<b>Rotation Sums of Squared Loadings</b>
	<b>Total</b>	<b>% of Variance</b>	<b>Cumulative %</b>	<b>Total</b>
1	34.96	91.98	91.98	34.95
2	2.56	6.73	98.72	2.63

*Extraction Method: Principal Component Analysis.*

This above table shows that the questionnaire contained 34 items and two components have been extracted from it. These components are job satisfaction and organisational culture.

**Table 3: Factor Loadings**

<b>Variables</b>	<b>Item</b>	<b>Factor Loadings</b>
Job Satisfaction	There is adequate provision of lighting, ventilation and first aid facilities.	.989
	Proper rest, relaxation and refreshment facilities are provided.	.970
	Job design is done in keeping in mind individual values and requirements.	.973
	Employees are actively involved in meetings to solve day to day problems.	.891
	Competent and capable representatives are elected by the employees by a secret ballot.	.933
	Management gives due respect and power to the representatives in meetings and decision making.	.978
	Rules and regulations are same for all.	.934
	Organisation's rules and regulations promote orderliness, justice and induces interest.	.994
	Environmental factors favor the location of the employees.	.969
	There are adequate transportation, communication and power facilities in the organisation.	.994
	Excessive information and long procedures are avoided.	.977
	Fair remuneration facilitates satisfaction and performance.	.971
	Rewards and recognitions are given as per excellence and not recommendations.	.989
	Creativity and innovation is encouraged at all levels.	.998
Organisational culture	Sufficient time duration is provided for completion of tasks.	.982
	Employees are allowed to talk during breaks or after working hours only.	.845
	Jobs are challenging which requires skills, knowledge and experience.	.876
	Responsibilities and authority is given to employees according to their capabilities.	.994
	Proper allocation of resources and mutual goal setting increases performance and promotes positive environment.	.884
	Support from superiors enhances enthusiasm and optimism in employees.	.977
	Good human relationships help to recover from setbacks in performance.	.994
	Rewards and encouragement are given more emphasis as compared to threats and criticism.	.994
	Cooperative culture has made the atmosphere stress free and created emotional stability.	.984
	Organisation can be considered as a role model for participative decision making.	.993
	Recruitment and selection policy shows a balanced distribution of employment opportunities and incentives for all.	.990
	Management is always makes an effort to look into the grievances of the employees.	.990
	Working in the organisations is not influenced by political influences.	.961
	Local trade disputes do not affect the functioning of the organisation.	.991
	There is emphasis on immediate action rather than unnecessary formalities.	.999
	There is clarity and timeliness communication of information.	.989
	There is role clarity in the organisation which enables cordial relationships among employees.	.987
	High-performers and highly efficient employees are appreciated with rewards.	.992
	Performance is evaluated against set standards.	.989
	Management encourage modernization of processes and equipment.	.973
There is presence of sufficient monetary and infrastructural support to encourage innovation and change.	.992	

Table 3 contains factor loadings. Factor loadings which show that how much each item loads into its relative component. It is said that value of factor loading of each item into its relative principal component should not be less than 0.4 (Straub et al., 2004).

Values of loadings of all the items are above 0.8, varies from 0.84 to 0.99. Cross loadings have been ignored. Overall, the factor analysis shows that criteria of construct validity are satisfied.

## **CRITERIA: JOB SATISFACTION**

### **Factor 1**

The provision of proper lighting, ventilation and other facilities in the organisation gives a positive feeling to the employees. This component is important part of job satisfaction. With factor loading of 0.989 supports this statement. The respondents believe proper sitting arrangement with lighting and ventilation is significant for better concentration in work. Any discomfort reduces the efficiency of respondents.

### **Factor 2**

Proper rest and relaxation breaks are important as they are ways to break monotony and boredom. Afresh start after a break helps the employees to start again with more enthusiasm. The factor loading of 0.97 shows the same.

### **Factor 3**

Job design is the first step in attracting the employees for a particular job. It defines the job description and specification. So, it needs to be more specific, catering to individual values and requirements. The factor loading of 0.973 emphasizes that an employee is more satisfied when his responsibilities align to his expectations.

### **Factor 4, 5 & 6**

These factors have been clubbed here as they point to employees' participation in the organisation's decision making. The factor loading for factor 4, 5 & 6 are 0.891, 0.933 and 0.978 respectively. These values state that employee participation is important to make employees feel that they are respected and considered in decision-making process of the organisation. The organisations which involve their employees in day-to-day meetings turn out to be more effective. The values of factor loadings for these factors state that the employees are highly satisfied

if there is a transparent system of representation and decision-making in the organisation.

### **Factor 7 & 8**

Rules and regulations frame the organisation as a strict and systematic place where managers know how to deal with various situations. When rules are same for everyone, employees build trust for their organisation. This makes them feel safe and satisfied. The factor loading of 0.934 and 0.994 supports the above theory that rules are an important part of each and every organisation and they need to be imposed without biasness.

### **Factor 9 & 10**

Location of the organisation's work office and facilities to reach there stimulate the zeal to work. The environmental factors act as important criteria for employees to decide whether it would be feasible for them to work in particular area particularly female candidates especially in a country like India. The transportation facilities are considered as a necessary factor for determining ones' choice of job. An employee, who feels that proper transportation and communication facilities are present in his office, is more satisfied from his job. He works with higher enthusiasm. The factor loading of 0.969 and 0.994 states that employee emphasizes on facilities of transportation and communication present in an organisation for choosing and continuing with their job.

### **Factor 11**

There are chances of information overload in bigger organisations. This often leads to confusion and wrong decisions. If an organisation avoids flow of excessive information, it may become more effective. Along with this, longer procedures for decision-making should also be avoided, be it for grievance handling or for other decisions. The factor loading of 0.977 states that procedure must be strict but simple at the same time.

### **Factor 12**

This is considered as the most important factor in evaluating job satisfaction. Every employee wishes for fair pay scale. This is the main motivation for most employees. The factor loading of 0.971 emphasizes on this.

### **Factor 13**

Apart from monetary benefits, employees wish for other rewards and recognition from their superiors and subordinates as well. Also, they wish to get recognitions

without biasness. Recognitions should be given according to work done and not as per recommendations. This is important for instilling satisfaction among employees. Value of 0.989 supports this fact.

#### **Factor 14**

In today's world, where everyone wants to grow and prosper apart from achieving the organisation's goals. Creativity needs to be promoted. The employees ask for permission to innovate. This makes them happy and thus satisfied. If creativity and innovation is accepted, encouraged and recognized at different levels of management, the performance of employees increase manifold. The factor loading value of 0.998 shows its importance in the career path of employees.

The values of factor loadings for the variables under job satisfaction shows that the employees are more satisfied because of facilities provided in the organization along with the rewards and recognition policies, communication policies in the organization. These factors are considered the most important in the company which stimulates satisfaction among employees.

### **CRITERIA: ORGANISATIONAL CULTURE**

#### **Factor 1 & 2**

Employees prefer a stress-free environment to work properly and efficiently. When given appropriate time, and breaks during working hours, they get energy to work for longer hours. If they are always asked for completion of targets before deadlines by creating immense pressure, their productivity would decrease. As this would decrease their level of ease, satisfaction and enthusiasm for work and hence the efficiency goes down.

#### **Factor 3**

Providing employees with jobs that challenge their potential, skills and knowledge gives them opportunity to prove themselves. This enables them to build confidence in their own eyes as well as their superiors. Therefore, performing a challenging job which utilizes ones' capabilities makes the employee happier with his own achievements, thereby, being more satisfied.

#### **Factor 4 & 5**

Employees feel responsible when they are given authorities and power to take decisions. The culture of proper

delegation of authority and appropriate division of work instills a feeling of belongingness and cohesion in the employees. Proper allocation of resources reduces chances of conflicts. A positive culture can be maintained with mutual discussions and goal setting. If these factors are kept in mind by top-level managers, and implemented appropriately, then surely employees would be satisfied with the work culture.

#### **Factor 6,7,8 & 9**

These factors are described together as they focus on inter-personal relationships. Being humans, employees need clan culture to be practiced in the organisation. They spend most of their day at work place. Hence, strong and friendly inter-personal relations smoothen the work environment. Good human relations, optimism from peers and superiors, cooperative culture would go a long way in establishing an efficient and effective workplace. When the superiors give more importance to rewards and recognition rather than promoting dictatorship by using means of threats and negative criticism, they make place in the hearts of employees. The employees start considering them, their guide, mentor and friend.

#### **Factor 10 & 11**

The different policies practiced by the organisation defines its work culture. The recruitment policy should be unbiased and the selection policy should focus on providing proper incentives and equal opportunities for all. When people from different beliefs and values come together, they may differ in the way of working, thinking and reacting. This may bring up conflicts which often take a steep turn towards grievances. The organisation should have proper grievance handling policy to check that any problems or conflicts do not go unattended.

#### **Factor 12, 13 & 14**

Politics is a word that automatically creates a negative picture in the mindset of individuals. The employees feel good while working in an organisation which is not influenced by political influences. An open culture is promoted by the employees but they do not like interferences by third party. There should less intervention by local traders or unions. This would otherwise lead to insecurity and reduce their interest to work.

#### **Factor 15 & 16**

Clarity is the essence of efficiency. There should be clarity of information, and responsibilities along with timely flow

**Table 4 : Correlation Analysis**

Job Satisfaction	Organisational Culture								
	V1	V2	V3	V4	V5	V6	V7	V8	V9
	0.944	0.884	0.801	0.936	0.987	0.984	0.989	0.993	0.958

of information through appropriate communication channels. This enhances the functioning of the organisation. The employees get the correct information at the right time by the right person. This reduces duplication and excessiveness of information reducing chances of mistakes.

**Factor 17 & 18**

There should be a proper system for appraisal and rewards. To promote higher performance levels, employees need to be recognized for their present achievements, then only they would strive for higher standards.

**Factor 19 & 20**

There is utter need to change and modernize, be it procedures or systems. Technology need updating and working with latest developments if one wants to be at pace with the world. Presence of proper monetary and infrastructural support helps to learn latest techniques. This helps employees to be innovative and be updated. The opportunity to learn new things keeps employees willing to work and be loyal to the organisation.

The factor loadings under the organisational culture shows that the culture of less local interventions, giving more importance to high performances, monetary support, lesser rigid procedures and maintaining better inter personal relationships and cooperation among colleagues are considered important part of work culture by the employees.

They believe that the organization is more effective and a better place to work if these practices are followed. If the work culture comprises of these components, the employees would be more satisfied.

**IMPACT OF ORGANISATIONAL CULTURE ON EMPLOYEE SATISFACTION**

The relationship between organisational culture and employee satisfaction was investigated using Pearson’s correlation. Preliminary analysis revealed that there is no violations of the assumptions of linearity and homoscedasticity and all associations are found to be significant at 95 percent level with correlation above 0.8 (r>0.89) between all the variables of job satisfaction and

organisational culture. These values exhibited in table 4 clearly states that there is positive and very strong correlation between the dependent variable - job satisfaction and independent variable - organisational culture. Thus, it can be ruled out that the null hypothesis stating that there is no significant relationship between organisational culture and job satisfaction among employees is rejected.

These variables were clubbed together according to their relatedness with each other. This was done simply to reduce complication and confusion. The statements and their meanings remain the same. 20 statements from the questionnaire were used in the study which were clubbed into factors according to their closeness in factor analysis.

Overall, it can be stated that employees in telecom sector are particularly giving importance to organisational culture to show their satisfaction levels. It is clear from the data analysis and hypothesis testing that culture of long-term relationships, innovation, creativity, rewards and unbiased recognition, timely and clear information flow and communication, etc. all these have a positive impact on the satisfaction levels of the employees.

**CONCLUSION**

The research conducted has shown that there is strong and positive relationship between organisational culture and job satisfaction among employees of telecom sector particularly in the company Bharti Airtel. The study has been confined to the area of Rajasthan. It succeeds to portray various dimensions of organisational culture and job satisfaction. Since the research has been limited by its sample, design and methodology, the responses are confined to a limited geographical diversity. Such studies have been very few in number. Although the generalizability would increase if more diversified sample size is taken for the study. Another area of concern is the nature of the study applied and the measures used. The error of misinterpretations and predispositions cannot be ignored. There exist some predispositions to responses on the part of the participants as well as social desirability effects do exist. These have to be kept in mind while interpreting the findings.

Organisation culture is found to be an important input when we study job satisfaction, explaining the 70 percent or more variance. Inter – item correlation succeeded in clarifying the relationship between the variables of job satisfaction and organisational culture. The value of  $r$  was greater than 0.89 in all the cases stating the relationship between both the components to be strong and highly positive.

In other words, the study led to the conclusion that these variables are related to the dependent variable. While interpreting, the independent variable provided substantial contributions and thus it was the key element in predicting the outcome variable. Hence, it should be the focal point for the development of strategy formulation directing towards making employees more satisfied and happier, thus, in turn, increasing efficiency.

As said human resources are the most important asset of the company, today's organisations focus on establishing a good rapport with them. This is done by making their employees more satisfied and happier with the working and functioning of the organisations. Culture plays an important part in this. It is believed that if organisational culture is implemented whole-heartedly will lead to effective utilization of human resources and also help in retaining them giving them a satisfactory, safe and trustworthy environment.

It is seen that Employees are still not involved much in day to day meetings. Their participation is still not up to the level it should reach. The managers should understand the strength of synergy and transparency in today's world. Working like a family with all its members giving equal contribution helps reducing dissatisfaction and instill the feeling of loyalty towards the organization.

More breaks should be provided to enhance their performance. Everyone needs some time to break through the monotony and relieve their pressures. Thus, there should be a provision of allowing more breaks during the span of work throughout the day.

Job design should be more challenging, and demanding so that maximum utilization of skills and knowledge is made possible. This may even lead to requirements of training and development workshops. Training for acquiring new skills and latest knowledge would surely enhance individual performance and affect the organizations' in a positive way.

As said before, mutual discussions should be given more importance for setting departmental goals so that these collaborate with individual ambitions. This measure can beat any other strategy for improving performance. Proper and systematic allocation of resources reduces feeling of being deprived or left out. It would surely go a long way reducing attrition rate.

According to the analysis, these points need to be kept in mind for taking the culture to the next level thereby fulfilling every effort to keep the employees happier. These changes would create an organization which we all dream of and bring employees and employer closer and working in same direction.

Thus, more future studies should delve with the issue of organisational culture and its impact on performance and productivity of employees of the telecom sector with comparison of private sector employees with public sector ones. As this research is quantitative base, more of qualitative research, interviews can be done to suggest strategies for improvement.

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# The Effect of Training on Staff Productivity from the Perspective of Employees in Sabzevar University of Medical Sciences in 2014

Ramezan Tazehgol , Hamid Saremi

## ABSTRACT

*Since the development and productivity of each organization rely on employing skillful staff and implementation of systematic training methods are the main strategies of increasing staff productivity, raising the awareness of employees about training and its effect on productivity can solve the problems in this area and improve staff productivity. That's because, employees will not pay any attention to participating in training programs and take any actions to improve these programs unless they do not believe the effect of this relationship between training and productivity. Materials and Methods: the present study is a descriptive-analytical research that was conducted in a cross-sectional manner in 2014. The statistical population and research sample included all the employees of Sabzevar University of Medical Sciences. Data were collected using a questionnaire. The questionnaire consisted of two parts; the first part was about personal and demographic information of employees and the second part focused on their perspective about different dimensions of the effect of training on productivity. Results: the results showed that there was a significant relationship between training and productivity from the perspective of employees ( $P < 0.01$ ). Moreover, there was a significant relationship between democratic factors and employees' perspective about the effect of training on staff productivity.*

## INTRODUCTION

Research on strategic management of human resources or human capitals has suggested that investment in human resources/capitals training and development ensures increased productivity, profitability and corporate social dignity. The concept of human capitals training and development and the strategic attitude towards meeting staff training and development needs has begun and continued since the early years of industrial and scientific management and it has got a special importance in recent years because amongst all the organizational assets including financial resources, information, technology and raw materials, it is the human resources that play a crucial role in converting the inputs to outputs, as the most valuable organizational asset or resources.

Staff training entails all the efforts made to improve the knowledge, awareness, technical, professional and occupational skills as well as favorable behaviors of the employees of an organization to prepare them for taking their occupational responsibilities and duties.

Staff training refers to performing a series of regular and sequential operations following specific objectives and purposes in order to create and improve:

1. the knowledge and awareness of employees
2. their occupational skills
3. favorable behaviors in the employees in compliance with stable values of the society (1)

Productivity, as an economic concept, refers to gaining the maximum profit by utilizing workforce, talents and skills of human resources etc. in order to promote the welfare of society that has many benefits for organizations such as increased profits and revenue,

## Key words

Perspective; Training;  
Productivity.

decreased costs, increased demands, job satisfaction, quickness and accuracy of employees, job promotion, increased motivations and work quality (2). In its broader sense, productivity is dissatisfaction with the current situations and endeavor to optimize it. Indeed, productivity is an index of inputs to a specific index of outputs that evaluates how resources are used optimally and efficiently (3). In this regard, training is the most important element of productivity in the development of different sectors including health sector since efficient training has a considerable effect on macro productivity and resources productivity. Therefore, educational planners and trainers should make attempts to prepare the ground for the optimal use of available resources under which people can acquire the knowledge and skills required for their career (4).

Studies have shown that efficient training has a positive effect on productivity. On the contrary, inefficient training methods should be modified to improve knowledge and job satisfaction (5).

The present study intended to improve the productivity of the employees of Sabzevar University of Medical Sciences by training as core of human resource development. Furthermore, this study aimed at identifying the staff training needs. To this end, it encouraged the management to identify the training needs and plan for meeting the needs by making appropriate changes and reinforcing the employees' motivation. It also helped the management improve staff creativity and job satisfaction, and develop a model for human resources training in hospitals and healthcare centers.

## MATERIALS AND METHODS

The present study is a descriptive-analytical research that was conducted in a cross-sectional manner in Sabzevar University of Medical Sciences in 2014. The statistical population included all the 2,500 employees of the university. The sample size consisted of 365 employees using Morgan's Table. Data were collected using a questionnaire. The questionnaire consisted of two parts; the first part was about personal and demographic information of employees and the second part focused on the effect of training on productivity. The questionnaire was distributed to employees of different departments of the intended university using stratified random sampling method. About 333 questionnaires were collected after

discarding the invalid questionnaires. Productivity was measured based on self-evaluation method. Also, Khosrowjerdi's questionnaire was used for productivity measurement. After obtaining necessary permits, the investigation was administered by completing the questionnaires and employees were asked to answer the questions carefully. They were assured about confidentiality of the questionnaires. Each participant was given 10 minutes to answer the questions. After data collection, they were codified based on descriptive statistics including two parts of data classification and summarization and were analyzed based on frequency tables and inferential statistics in SPSS software. Various techniques were used appropriate to measuring variables (t-test, Pearson correlation coefficient etc.). Moreover, to determine the predictors of dependent variables, regression techniques were used.

## RESULTS

**Table 1 : Frequency distribution of Samples in terms of confounding variables**

Variable	Sub-groups	Frequency	Percentage
Age	20-30	96	%29.6
	30-40	154	%47.5
	40-50	65	%20.1
	50-60	9	%2.8
Sex	Female	85	%42.5
	Male	115	%57.5
Education	Diploma	40	%12.3
	Associate Degree	12	%3.7
	Bachelor's Degree	231	%70.9
	Master's Degree	31	%9.5
	PhD	12	%3.7
Work Experience	5-10	118	%38.7
	10-15	88	%28.9
	15-20	47	%15.4
	20-25	52	%17.0
Organizational Position	Operator	38	%12.3
	Expert	172	%55.7
	Responsible Expert	46	%14.9
	Executor	41	%13.3
	Manager	12	%3.9
Employment Status	Conventional	53	%16.9
	Contractual	76	%24.2
	Formal	185	%58.9
Training Hours	0-100	57	%18.6
	100-500	114	%37.3
	500-1000	81	%26.5
	>1000	54	%17.6

**Table 2: Frequency distribution of adequacy of training programs and its suitability for occupational duties from the perspective of staff**

Sub-groups	Observed Frequency	Expected Frequency	Remainder	Chi-square	Degree of Freedom	P-value
Very Weak	14	66.6	-52.6	143.50	4	0.0001
Weak	63	66.6	-3.6			
Average	127	66.6	60.4			
Good	104	66.6	37.4			
Excellent	25	66.6	-41.6			

The value of Chi-square ( $\chi^2 = 143.50$ ) was statistically significant at the significance level of  $P=0.0001 < 0.01$ . In Chi-square test, it is necessary that all the expected data of each table cell be greater than 1 and at least %80 of them be greater than 5, which held true in this case. The highest observed frequency was related to the subgroups of 'average' and 'good'; therefore, regarding the positive value of the rest of the sub-groups, it can be stated that training programs are sufficient and appropriate to the occupational duties of the employees.

**Table 3 : Frequency distribution of intended samples in terms of the relationship between staff training and productivity**

Variables	Productivity
Staff Training	0.18**

The results of correlation coefficient, as in Table (2), shows that there was direct significant relationship between staff training and their productivity ( $P < 0.01$  &  $r=0.18$ ). In other words, the more sufficient and appropriate the training programs are, the higher the staff productivity will be and vice versa.

**Table 4 : Relationship between productivity and training with regard to the moderating effects of the following variables**

Training	Productivity	
	Sex	0.21**
	Age	0.17**
	Education	0.19**
	Work Experience	0.16**
	Organizational Position	0.19**
	Employment Status	0.20**
	Training Hours	0.14*

According to Table (4), the variables of sex, education and organizational position were analyzed as a moderator variable. As displayed, the value of 'r' increased after applying a control value; that is, the correlation between the other two variables increased by controlling the variable of sex.

As illustrated, the correlation coefficient of training and productivity was estimated at 0.17, 0.16 and 0.14 respectively in terms of controlling the age, work experience and training hours which are lower than the initial correlation coefficient of these two variables i.e. 0.18 (without control). That means that some part of initial correlation derived by the correlation of both variables (training and productivity) and a third variable.

**DISCUSSION**

The adequacy of training programs and its appropriateness to the occupational duties of the employees of the University of Medical Sciences has a positive advantage for the organization because it can distinguish the University of Medical Sciences by its considerable effects on the scientific skills and professional abilities of the employees. From employees' perspective, the training programs were adequate and appropriate to their occupational duties. Likewise, several researchers including Niaz Azari et al. (6), Nekouei Moghaddam and Mir Rezaei (7) and Khatibi (8) have also investigated the effect of training programs on productivity, efficiency and performance of employees in the universities of medical science.

There was a direct significant relationship between staff training and their productivity. The results of the current study were consistent with the findings of Pischak (9) and Weels and Bondi (10) while contradicted the findings of Mohammadi Naeini (11). Naeini showed that there was not any significant relationship between in-service trainings and productivity of employees. However, appropriate, principled and needs-based training can meet the needs of organization to employ specialized labor force in future; in addition, it guarantees the productivity of the current workforce. The correlations between staff training and productivity increased by controlling the variable of sex. Regarding productivity, the results of the current study were not in line with the findings of Hassanzadeh et al.

(13) and Askarian and Javdpour Shirvan (14). Moghaddas and Ahmadi (12) found that female employees were more productive than male employees. Nevertheless, other aforementioned research has shown that sex did not have any effect on productivity.

Most evidences have shown that there was not any significant difference between the productivity of men and woman. For instance, there was not any significant difference between men and women in terms of their ability in problem solving, analytical thinking, competition, dynamicity, motivation, leadership, learning or compromise with others. With respect to the changes within the last 20 years and the dramatic increase of women's participation in workforce as well as the remarkable role of men and women in business, it should be assumed that there is not any significance difference between the productivity of men and women (15). The inconsistency of the results of the present study with this issue can contribute to the difference in the research population of this study. In the current study, managers participated as the research samples. According to the results of the seventh hypothesis indicating that managers had the highest productivity, the difference between men and women in terms of productivity was more evident since all the managers (%3.9 out of overall sample size) were men. Perhaps, if the population was limited to the employees of the same level, including their background and documents, there would not be any difference.

The results showed that elder employees were more productive than younger ones. They claimed that the implemented training programs were adequate and appropriate to their occupational duties. The results of partial correlation coefficient indicated that age explains and interprets a part of initial correlation between staff training and productivity. Regarding productivity, the results of the present study contradicted the findings of Hassanzadeh et al. (13). The aforesaid researchers found that the age of employees did not have any effect on their productivity.

The relationship between age and productivity has received considerable attention within the last two decades. One of the important reasons for considering this issue is that it is generally believed that productivity and individual skills (quickness, agility, strength and coordination) decreases with aging, which was rejected by a comprehensive library study that has recently investigated the relationship between employees' age and productivity. Furthermore, it seems that such conclusion

applies to all occupations either professional or unprofessional. Accordingly, it can be concluded that demands for most jobs, even the ones requiring handicraft expertise, is not so to decrease productivity with aging.

Even if aging decreases productivity, the individual experiences will compensate for it (15). Therefore, the results of the present study indicating that elder employees had higher productivity can be justified.

There was not any difference between the perspective of conventional and contractual employees in terms of training. It was found that both conventional and contractual employees had lower productivity. The results of partial correlation coefficient showed that the correlation between staff training and productivity increased by controlling the variable of employment status. In this regard, the results of the present study were not in line with the findings of Schroder (16) while they were consistent with the findings of Hassanzadeh et al. (13). They found that formal employees were more productive than contractual employees.

The lower productivity of conventional and contractual employees than formal employees (although each three groups had statistically the same perspective towards the adequacy and appropriateness of trainings) might be attributed to organizational benefits, incentives, motivation, salary, quality of working life and work content of employees.

Employees with more than 1000 hours of training were more productive and claimed that the implemented training programs were adequate and appropriate to their occupational duties. The results of partial correlation coefficient indicated that training hours explain and interpret a part of initial correlation between staff training and productivity. It was concluded that implementing appropriate and adequate training hours as well as observing the training needs of the employees, as the most important step in planning for staff training programs, will ensure productivity and efficiency (17).

According to the results, managers had higher productivity and claimed that the implemented training programs were adequate and appropriate to their occupational duties. The results of partial correlation coefficient indicated that the correlation between staff training and productivity increases by controlling the variable of organizational position. In this regard, the results of the present study were in line with the findings of Askarian and Javdpour Shirvan (14).

Employees have different skills and expertise based on their organizational position they are engaged in. If specialized trainings are defined on the basis of the occupational position and needs of each employee, they can increase the required skills of employees and subsequently increases productivity (13). In the present study, since the specialized trainings matched their skill needs, as claimed by managers, they led to the highest productivity.

Regarding the effect of work experience on productivity, it was found that employees with more than 10 years of work experience had higher productivity and claimed that the implemented training programs were adequate and appropriate to their occupational duties. The results of partial correlation coefficient indicated that work experience explains and interprets a part of initial correlation between staff training and productivity. In this regard, the results of the present study were in line with the findings of Moghaddas and Ahmadi (2002). Moghaddas and Ahmadi (12) found that employees and managers, who were employed after the war, had the highest productivity while those employed before the Islamic revolution had an average productivity and those employed between Islamic revolution and the war had the lowest productivity. The results of the present study contradicted the findings of Hassanzadeh et al. (13). They found that the work experience of employees did not have any effect on staff productivity and efficiency.

Many research has been done the effect of work experience on productivity. They showed that work experience per se cannot be an indicator of productivity. In other words, in equal conditions, it is not a good idea to assume that employees who are more experienced in a special job have higher productivity than those who are less experienced in that given job (15). Therefore, since equal conditions were not governing the current study and the employees had different positions, the difference between this study and the research background in this regard attributed to the difference in the sample of the present study.

Moreover, employees holding master's degree had higher productivity; however, different employees had different perspectives towards different levels of education. The results of partial correlation coefficient indicated that the correlation between staff training and productivity increases by controlling the variable of education. In this regard, the results of the present study were in line with the findings of Hadian et al. (18) while the contradicted the findings of Vatankhah et al. (19).

Considering the fact that the higher the educational level of employees, the better they can use creativity and knowledge in their everyday activities; thus, their higher productivity is justifiable.

## SUGGESTIONS

Considering the findings of the present study, the following suggestions are offered:

1. Holding short-term training programs for the employees and increasing per capita education and educational budget.
2. According to the results of the research hypotheses about the effect of demographic factors on productivity, managements of organizations are recommended to consider the biographical characteristics of their employees in order to evaluate staff productivity.
3. Before holding training programs, the training needs of the employees of the University of Medical Sciences should be identified, staff training and employment should be considered as the main axis of plantings in the University of Medical Sciences in order to increase the productivity of conventional and contractual workforce by creating appropriate conditions and enhancing the quality of working life.

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# Exchange Traded Funds: Performance of Index ETFs Vs Index Funds

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## ABSTRACT

*An Index Exchange Traded Funds and Index Funds are an innovative products which puts together favorable characteristics of open-ended and closed-ended mutual funds and presents a more flexible and liquid product for investors. The study covers to evaluate the performance of Index Exchange Traded Funds and Index Funds in India. The study is based on secondary data and covering the period of eight years from 2008 to 2016 for the purpose of evaluating performance Index ETFs and Index Funds in India. The parameters for evaluating the performance are Net Asset Value, Risk, Return, Expenses Ratio, Tracking Error, Reward to Variability and Differential Return. For knowing the performance of Index ETFs and Index Funds BSE-200 is used as relevant benchmark index for comparison purpose. Further, the study considered Reserve Bank of India interest rate as a risk free return. The average yield on bank interest rate assumed as 7 per cent during the study period. The statistical tools like Standard Deviation, Beta, Alpha, R-squared and Sharpe Ratio are used for data analysis. It is concluded that Index ETFs have given better opportunity for the small investors in terms of diversified portfolio with a small amount of money, low expense ratio, reduced tracking error, lower risk and volatility as compared to Index Funds. The Index ETFs can become a best investment alternative, provided, awareness is created among the investors.*

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## INTRODUCTION

ETFs are the new products from the Mutual Fund Houses and are also slowly gaining popularity. They have huge potentiality to grow in India because of its technical advantages over traditional Mutual Funds. Gold ETFs are also gaining popularity from the last one year. Once an equity market stabilizes, the Fund Houses are ready to start new kind of product in this area. An ETF, or exchange traded fund, is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. Unlike mutual funds, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual fund shares, making them an attractive alternative for individual investors.

## INDEX EXCHANGE TRADED FUNDS

Most ETFs are index funds that attempt to replicate the performance of a specific index. Indexes may be based on stocks, bonds, commodities, or currencies. An index fund seeks to track the performance of an index by holding in its portfolio either the contents of the index or a representative sample of the securities in the index. As of June 2012, in the United States, about 1200 index ETFs exist, with about 50 actively managed ETFs. Index ETF assets are about \$1.2 trillion, compared with about \$7 billion for actively managed ETFs. Some index ETFs, known as leveraged ETFs or inverse ETFs, use investments in derivatives to seek a return that corresponds to a multiple of, or the inverse (opposite) of, the daily performance of the index.

### Key words

ETF, Mutual Fund, Index Fund, BSE

Some index ETFs invests 100% of their assets proportionately in the securities underlying an index, a manner of investing called replication. Other index ETFs use representative sampling, investing 80% to 95% of their assets in the securities of an underlying index and investing the remaining 5% to 20% of their assets in other holdings, such as futures, option and swap contracts, and securities not in the underlying index, that the fund's adviser believes will help the ETF to achieve its investment objective. There are various ways the ETF can be weighted, such as equal weighting or revenue weighting. For index ETFs that invest in indices with thousands of underlying securities, some index ETFs employ "aggressive sampling" and invest in only a tiny percentage of the underlying securities. As discussed a total of five Index exchange traded Funds are identified, the results of each are presented here under. 1. Kotak Sensex ETF 2. Kotak PSU Bank ETF 3. Goldman Sachs banking Index ETF 4. Goldman Sachs Nifty ETF 5. Goldman NIFTY Junior benchmark ETF, are analyzed through the portfolio evaluation method like Sharpe, Treynor, Jensen and Fema measures.

## INDEX FUNDS

An Index Fund is a Mutual Fund scheme that invests in the securities of the target Index in the same proportion or weight age. Since the first Index Fund launched, the Index Funds. Index funds are a relatively small part of the overall mutual fund industry in India, and this is markedly different from the west, where index funds do quite well, and in fact the biggest fund in the US is an index fund (SPY) that tracks the popular S&P 500 index. I think there are two aspects to this the first is that actively managed funds have performed better than index funds in the past and people expect that to continue in the future as well, and secondly, index funds aren't really low cost in India. The lists of selected funds are 1. Birla Sun Life Index Fund, 2. Franklin India Index Fund NSE Nifty plan, 3. HDFC Index Fund NIFTY plan, 4. HDFC Index Fund SESEX plan, 5. LIC Numra MF Index Fund NIFTY plan. However, these are analyzed through the portfolio evaluation methods like Sharpe, Treynor, Jensen and Fema measures.

## REVIEW OF LITERATURE

**Gastineau (2004)** in the article titled "The Benchmark Index ETF Performance Problem: A Simple Solution", he looks at the question of why ETFs underperform index funds that track the same index. His focus is the

operational efficiency of the funds' management. By inspecting the historical returns (through 2002) of i-Shares, Spiders, and Vanguard indexes following the S&P 500 and the Russell 2000, he notes that the ETFs typically underperform their respective index funds. He conjectures that a significant portion of the underperformance is likely due to the failure of ETF fund managers to reduce their transactions costs in a way that is common among index fund managers.

**Prashanta Athma & B. Mamatha (2012)** in their article entitled "ETFs Vs Index Funds in India: Growth and Progress" have tried to evaluate basing in ETFs and Mutual Funds. Mutual Fund is a trust that pools money from a group of investors sharing common financial goals and invest the money thus collected into asset classes that match the stated investment objectives of the scheme. Latest Mutual Funds are Index Funds and Exchange Traded Funds.

**Yanyan Li (2013)** in the article titled "Performance Evaluation of Exchange - Trade Funds (ETFs) in Emerging Markets" he tried to evaluate the performance of ETFs in the global emerging markets, focusing on China. Historical data on six ETFs are collected through the period 2012-2013. To examine the performance of the ETFs based on the sample; this paper employs the methodology of Jensen's Alpha, Sharpe Ratio and Tracking Error.

The results of the empirical study confirm underperformance of the selected ETFs in China relative to the market. However, ETFs have some other advantages as an investment instrument such as low expense and tax efficiency.

## NEED FOR THE STUDY

The impressive growth of exchange traded funds in India has attracted the attention of Indian researchers, individuals and institutional investors during past few years. A number of empirical studies have been conducted to examine the growth, competition and performance of exchange traded funds in India. There has been severe competition among various avenues of investment and the Exchange Traded Funds is no exception and the competition would intensify in the coming years as it happened in other investment avenues. Hence, it is appropriate, relevant and topical to focus our attention as to how the exchange traded funds would emerge in the coming few years and to ascertain what kind of portfolios

would be able to win the investors' confidence and survive in the market place. The present study is felt to provide research analysis on the performance of selected Index ETFs and Index Funds investment portfolio and performance of ETFs in the Indian context.

### OBJECTIVE OF THE STUDY

- To evaluate and compare the performance of Index Exchange Traded Funds and Index Funds of India based on risk and return.

### SOURCE OF THE DATA

The study is based on secondary data. The Secondary data sources include Fact sheets of Mutual funds, articles, news papers, SEBI manuals, AMFI reports and websites. However, to gain an insight into the working of ETFs, discussions were held with the officials of stock brokerage firms and Investors.

### PERIOD OF THE STUDY

The study covers a period of eight years from 2008 to 2016 for the purpose of evaluating the performance of select Index Exchange Traded Funds and Index Funds in India. However, for the purpose of analyzing the relative performance of Index ETFs and Index Funds in India.

### SAMPLE SIZE

Accordingly sampling is made and a total of 10 growth schemes were selected covering both Index exchange traded

funds and Index mutual funds (Five Index ETFs and Five Index mutual funds). The study was mainly concentrated on exchange traded funds in India.

In that most reputed and well known companies with highest age of funds were selected. The study opted for a longer time period and thus limited the sample size.

The parameters for evaluating the performance are Net Asset Value, Risk, Return, Expenses Ratio, Tracking Error, Reward to Variability (Sharpe) and Differential Return (Alpha).

#### Index Exchange Traded Funds

- Kotak Sensex ETF
- Goldman Sachs banking Index ETF
- Goldman Sachs Nifty ETF
- Gold Benchmark ETF (Gold Bees)
- Goldman NIFTY Junior benchmark ETF

#### Index Funds

- Birla Sun Life Index Fund
- Franklin India Index Fund NSE Nifty plan
- HDFC Index Fund NIFTY plan
- HDFC Index Fund SESEX plan
- LIC Numra MF Index Fund NIFTY plan.

### RELATIVE PERFORMANCE OF SELECTED INDEX ETFS AND INDEX FUNDS

It is attempted to present a comparative picture of the relative performance of all the Index exchange traded funds and index funds selected for the study. The returns as per the descriptive statistics and risk adjusted measures like mean, standard deviation, Beta, Sharpe ratio, Treynor ratio,

**Table 1 : Statement of Relative Performance of Selected Index Etfs and Index Funds**

S. No	Name of Mutual Fund	Mean	SD	Treynor's	Sharpe	Jensen	Fama	Rank
		Return (%)	(Fund)					
1	Kotak Sensex ETF	8.69	32.14	2.12	0.05	-1.81	-2.02	10
2	Goldman Sachs banking Index ETF	21.9	47.59	13.38	0.31	10.00	9.41	1
3	Gold Benchmark ETF (Gold Bees)	12.24	17.91	58.72	0.29	4.85	3.17	3
4	Goldman Sachs Nifty ETF	9.62	31.29	3.67	0.08	-0.52	-0.99	4
5	Goldman NIFTY Junior benchmark ETF	19.72	54.58	10.27	0.23	7.27	6.43	2
6	Birla Sun Life Index Fund	9.24	31.33	3.14	0.07	-0.9	-1.37	6
7	Franklin India Index Fund NSE Nifty plan	12.54	33	7.91	0.17	2.46	1.93	8
8	HDFC Index Fund NIFTY plan	9.25	30.11	3.28	0.07	-0.77	-1.23	5
9	HDFC Index Fund SESEX plan	8.79	30.7	2.57	0.06	-1.27	-1.75	7
10	LIC Numra MF Index Fund NIFTY plan	8.57	30.41	2.27	0.05	-1.47	-1.93	9
	BSE 200	11.40	38.16					

Source: Computed & Tabulated from data analysis of the study

Jensen's alpha and Fama are calculated on annual basis taking BSE-200 as a benchmark for all selected equity funds and the results of these are given in Table No:1. The relative performance of all these funds is represented in a diagrammatic form and shown in figure 4.1.

A close perusal of table reveals that Goldman Sachs banking Index ETF (21.90 per cent) and Goldman NIFTY Junior benchmark ETF (19.72 per cent) and Gold Benchmark ETF (Gold Bees) (12.24) are the top three from Index Exchange Traded funds which are outperformed as per mean values and the least two funds are LIC Numra MF Index Fund NIFTY plan (8.57) and HDFC Index Fund SESEX plan (8.79) that are underperformed. The table further shows that the top five funds are three from Index ETFs and two from Index funds which are outperformed, whereas the underperforming funds are those of majority from Index funds which are compared to the benchmark return of 11.40 per cent as per the mean. Standard deviation is used to measure the variation in individual from the average expected return over a certain period. Table No 1 clearly reveals that Goldman NIFTY Junior benchmark ETF has clearly outperformed all the schemes with highest value of 54.58 of standard deviation.

It indicates the relatively high volatility of the scheme and the high return per unit of risk. This is followed by Goldman Sachs banking Index ETF (47.79) and Kotak Sensex ETF. (32.14), the standard deviation values of index funds are all lower than the benchmark values of 38.16. This indicates the relatively low risk and low volatility of the schemes and the moderate return per unit of risk. In other words, Index ETFs show high risk with high and moderate return but in Index funds are funds relatively low risk with low and moderate returns. More or less similar situation is seen in respect of Beta values.

In general, it is assumed that Index funds tend to outperform the market but in case of bearish market sometimes it underperforms the market. A close perusal of the performance of the sampled schemes on the basis of the risk adjusted return measures namely Sharpe, Treynor, Jensen Alpha and Fama values some interesting findings are observed.

It is evident from the Table No 1 that according to Sharpe's index, the Index ETFs outperformed by registering higher ratios than the Index funds which showed lower ratios. Evidently, the Goldman Sachs banking Index ETF (0.31), Gold Benchmark ETF (Gold Bees) (0.29) and Goldman NIFTY Junior benchmark ETF (0.23), and Franklin India

Index Fund NSE Nifty plan (0.17) secured the highest ratios, whereas LIC Numra MF Index Fund NIFTY plan (0.5) the accounted for lowest ratio. In brief, Index ETFs sector are more comfortable comparing to Index funds.

Even the Treynor ratios and Jensen' Alpha also indicate similar type of situation and also identified the three Index ETFs funds as best and the one Index funds as least as shown above. As per the Jensen's alpha, the Goldman Sachs banking Index ETF performed high positive (10.00), Goldman NIFTY Junior benchmark ETF (7.27) and Gold Benchmark ETF (Gold Bees) (4.85) it shows the strength of Index ETFs. As per the results of Fama, the Index ETFs Goldman Sachs banking Index ETF (9.41), Goldman NIFTY Junior benchmark ETF (6.43), Gold Benchmark ETF (Gold Bees) (3.17) are the top three performers in their respective order.

From this, it is clearly evident that Index ETF fund managers are making the selection and switch of the portfolio according to market conditions. In order to Fama all the index funds are negative except Franklin India Index Fund NSE Nifty plan. Index funds showing negative values resulting in poor stock selection as per the results of Fama. According to rank allocation as per the weighted average method, the top two ranks are those of Index ETFs, viz., Goldman Sachs banking Index ETF, Gold Benchmark ETF (Gold Bees) and Goldman NIFTY Junior benchmark ETF, which are the top three performers. The Index funds secured lowest exhibiting their poor performance.

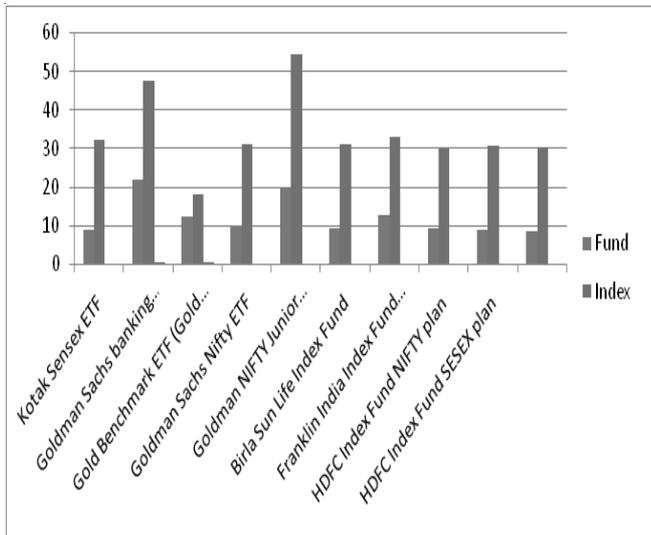
Even the Bar diagram depicted in Figure No 1 also indicated the superior performance of Index Exchange Traded Funds as against those of Index Funds.

Finally, it can be observed from Table No 1 that Goldman Sachs banking Index ETF, ranked number one taking into consideration the weighted averages of all mutual funds parameters such as Jensen alpha, Sharpe ratio, Treynor ratio, and Fama. Index Exchange Traded Funds showed superior performance comparing to Index Funds. In fact, the fund managers had an accountability of their respective funds, but the Index Funds fund managers are lacking accountability and skills, consequently, the funds resulted in least and negative performances.

## RISK RETURN GRID

Risk Return Grid, as a tool of analysis, helps the investor in carrying out a thorough analysis of the fund risk behaviour with respect to return. For carrying out the risk

return grid analysis, sample funds have been classified under the following four categories on the basis of risk return characteristics:



**Figure 1: Relative Performance of Index Exchange Traded Funds and Index Funds**

**High Return and High Risk:** This category includes all those funds whose returns as well as the standard deviations are higher than that of the market. This is the first quadrant.

**High Return and Low Risk:** This category comprises of those funds whose returns are higher than the market, but their standard deviations are lower than that of the market. This is the second quadrant.

**Low Return and Low Risk:** This category consists of funds whose average returns are less than the average market return and their standard deviations are also lower than that of the market. This is the third quadrant.

**Low Return and High Risk:** The last category includes all those funds whose returns have been found to be lower than that of the market, but their standard deviations are higher than that of the market. This is the fourth quadrant.

An attempt is made to prepare the risk return grid for the public and private sector mutual funds. The analysis is prepared and shown in Figure 6.6. In preparing this grid, the excess return has been taken on Y-axis and the excess risk on X-axis. Since, the entire study revolves around benchmark indices and four different timings of returns, the risk return grid has been prepared on annual basis.

		II	I
Return	High	$R_p \geq R_m, \delta p < \delta m$ Low Risk and High return (2) Gold Benchmark ETF (Gold Bees), Goldman Sachs banking Index ETF.	$R_p \geq R_m, \delta p > \delta m$ High risk and High Return (2) Goldman Sachs banking Index ETF, Goldman NIFTY Junior benchmark ETF
	Low	$R_p < R_m, \delta p < \delta m$ Low Risk and Low Return (4) Kotak Sensex ETF, Goldman Sachs Nifty ETF, Birla Sun Life Index Fund, HDFC Index Fund NIFTY Plan, HDFC Index Fund SESEX Plan, LIC Numra MF Index Fund NIFTY plan.	$R_p \geq R_m, \delta p < \delta m$ High Risk and Low Return(2) Kotak PSU Bank ETF, Goldman Satche PSU Bank benchmark ETF
		III	IV
		Low	High
		Risk	

**Figure 2 : Risk Return Grid of Index ETFs and Index Funds**

In preparing this grid the excess return has been taken on Y-axis and the excess risk on X-axis. Since the entire study revolves around benchmark index and four different timings of returns. The risk return grid has been prepared on annual basis. The figure 4.2 shows Risk Return Grid of Selected sample funds 10 i.e., Index ETFs 5, Index Funds 5, it can be seen that, 2, 2, 4 and 2 funds lie in the high risk and high return category, high return low risk, low return and low risk and low return and high risk category respectively.

The investors investing in the growth funds are risk seekers among risk adverse category. It would be the most ideal fund for investors to invest in a fund that gives higher return but has a lesser risk. It was found that two funds (Index ETF one and Index fund one) from falls under this category, i.e. in the second quadrant. From the above analysis, it can be concluded that with the change in the time factor in the calculation of return and risk and benchmark index, the funds that fall in the category of the high risk/high return, low risk/high return, low risk/low return and high risk/low return keep on changing. The majority of the funds come under the category of low return and low risk.

This implies that the index funds have provided lower returns than the market index, but the investment has increased the returns and risks. Some index ETFs are high return funds and the fund manager select portfolio and switch portfolio according to market conditions, but index

funds are in third and fourth quadrants covering 90 per cent underperformed because index funds fund managers are underperformed. So, it can be concluded that ETFs provide better returns in the long run rather than in the short run. In short, index ETFs better performance compared to the index funds.

## FINDINGS

- The findings of the analysis relating to Index Exchange traded funds reveal that Goldman Sachs banking Index ETF (21.90 per cent), Goldman NIFTY Junior benchmark ETF (19.72 per cent) and Gold Benchmark ETF (Gold Bees) (12.24 per cent) are the top three funds. The standard deviation values of Index ETFs such as Goldman NIFTY Junior benchmark ETF (54.58 per cent) and Goldman Sachs banking Index ETF (47.59 per cent) these two are the top performers.
- The rank allocation a close perusal of the analysis shows that the weighted average method, the top three ranks are secured by Goldman Sachs banking Index ETF, Goldman NIFTY Junior benchmark ETF, Gold Benchmark ETF (Gold Bees), are emerged as top performers all the three funds belong to index ETFs.
- An attempt is made to prepare the risk return grid for carrying out a thorough analysis of the fund risk behaviour with respect to return in respect of both the index ETFS and index funds through diagrammatic representation.

## SUGGESTIONS

- The fund houses should explore adequate risk to generate good return. Research team should selected tools to analysis risk liked Value at Risk and Beta and risk compare with same class of scheme with different AMC.

- ETF are traded through brokers and hence every time brokerage has to be paid which becomes costly affair if regular trades are done so broking hoses reduce their broking charges to attract investors.

## CONCLUSION

On the basis of overall analysis it can be inferred here that the majority of index funds were showed under performance in comparison with those of index ETFs. Except one of the schemes of index funds could provide more returns. On the other hand, Most of the index ETFs outperforms that of index funds showing good performance. The inability to fix the responsibility on the fund managers and fluctuations in the market conditions led to the poor performance of funds. Besides, returns on funds are adversely affected by fluctuations in the stock market and also lack of awareness of portfolio of securities.

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## Web resources

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[www.amfiindia.com](http://www.amfiindia.com)

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# Perceptions of Social Media Usage: Perspectives on Brand Choice

Anubha

## ABSTRACT

*With increasing engagement of the users on social media, it is making a significant impact on their purchase behavior. Social media usage has become a major factor in influencing various aspects of consumer behavior which encourages customers choose and like a brand on social media. Brand promotion related activities on social media help consumers to recall and recognize brands quickly. More and more firms have realized its importance and are leveraging on it for reaching out to the prospective customers for brand building and influencing their brand choice. In the Indian context, the entry of social media has been late, but its impact has percolated among all sections of the society. The paper investigates the impact of users' perceptions on social media and their impact on brand choice. Data has been collected from 451 users of social media from metropolitan region of New Delhi and NCR and the neighbouring state of Haryana. Perceptions have been studied with the help of factor analysis while its impact on brand choice/purchase intention has been studied with the help of regression analysis. Findings show a five dimensional model of user perception of social media usage, entailing brand engagement, brand recall, brand recognition, E-word of mouth and brand choice. Each of these factors is found to have a positive impact on the brand choice.*

## INTRODUCTION

From the last decade, social media platforms have been proved to be the 'best opportunities available' to a brand manager to connect with their existing and prospective consumers. Social media is popular medium to socialize with customers. It has a strong impact on the purchasing process of a consumer. Traditionally, the companies approached their consumers through tv, newspapers, radio, events and contests etc but now the companies have converted the marketing approaches towards the social media. Every business small, medium and large is focusing on social media marketing and trying to divert attention of users to their brand pages existed on the various social networking sites. The consumers are also getting awareness about new brands. They recognize their favorite brands and like to discuss with the other users and brand managers about their expectations from the brand. They easily recall brands online. Social media has positioned the consumers at the centre of business world, which needs brand managers and marketers to explore and apply new set of marketing tools for social media marketing to attract the consumers to their brands in very innovative manners.

## SOCIAL MEDIA AND ITS USAGE

Kaplan and Haenlein (2010) defined social media as "a group of internet based applications that build on the ideological and technological foundations of web 2.0, and that allow the creation and exchange of user-generated content". Social media can take many different forms, including social networks, Internet forums, weblogs, social blogs, micro blogging, wikis, podcasts, pictures, video, rating and social bookmarking (Kaplan and Haenlein, 2010; Weber, 2009). Weber also included search engines in the definition of social web, and described them as reputation aggregators with the task of aggregating sites with the best product or service to offer and usually put things in order of reputation (Weber 2009).

## Key words

Social Media, Consumer Behavior, Brand Choice, Purchase Intention, Brand Awareness, Brand Engagement, E-word of Mouth

At the same time, Evan (2008) and Weber (2009) also described various forms of social media such as forums, blogs, micro blogging, social networks, media sharing sites, virtual worlds, social bookmarking, voting sites, message boards, wikis, and podcasts. Social media is playing an important role in people's daily life and also in businesses. Because of vast penetration of social media and enormous growth of active users in coming years, more and more companies would be involved in the use of social media as one of the important tools for marketing and customer support.

Meanwhile, Weber (2009) used the term "social web" instead of social media, and defined the online social web as "the online place where people having a common interest could gather to share thoughts, comments and opinions". It included social networks such as Eons, Gather, MySpace, Facebook, BlackPlanet, LinkedIn and hundreds more. It included branded web destinations like Amazon, Netflix and eBay. It also included enterprise websites such as Best Buy, IBM, Cisco and Oracle. The social web is a very new world of free media created by individuals or enterprises on the web.

On the other hand, Johansson (2010) claimed that social media are distinct from traditional media, such as newspapers, TV, and films. They are more inexpensive and easy accessible to enable anyone to access or publish information, as compared to traditional or industrial media, which generally require significant resources to publish information.

## **SOCIAL MEDIA AND BRANDS**

The brands are using social networking sites platform not only to advertise their brands, but to make users engage with their brands. Consumers are also taking assistance to make evaluation and select the brands. They like the brand pages, so that they can get notifications about new products, discounts, freebies, offers and also take participation in discussions regarding brands. They also look for the reviews by other users about products/brands, they want to buy. Social Media represent a revolutionary new innovative trend that should be of interest to companies which operate in online space (Kaplan and Haenlein, 2010).

The companies have converted the marketing approaches towards the social media. Now, every business large, medium and small is focusing on it and trying to divert attention of users to their pages existed on the various

social networking sites. The consumers are also getting awareness about new brands. They recognize their favorite brands and like to discuss with the other users and brand managers about their expectations from the brand. Social media has put the consumers at the centre of business world, which needs marketers to use new set of marketing tools to integrate the consumers to their brands in very innovative manners.

In addition, the sociability has its positive influence on customer's trust and further trust influences the perceived value. Thus, by creating online groups and communities and engaging their members in discussions which help in attracting loyal customers. This will help customers more when they have needs of perfect and suitable products/brands. Social media dependency has positive influence on trust and perceived value of customers on social media. This will motivate them to have purchase intentions (Lee, 2013). Other functions of social media platform involve influencing and affecting attitudes, perceptions and end behavior (Williams & Cothrell, 2000), while bringing together like-minded people from different backgrounds (Hagel & Armstrong, 1997). Further, Community, Co-Creation and Self-Concept have a positive impact on consumers' involvement with user generated content on social media and that user generated content involvement has a positive effect on brand perceptions (Christodoulides, Jevons and Bonhomme, 2012). The extent to which users have engaged with the brands / messages, and so, the extent to which this has have the chance to influence brand perceptions (Plummer, 2007).

## **LITERATURE REVIEW**

In literature review, ideas, facts, research results and other meaningful information of various researchers have been described. Likewise, Weber (2009) found that social networks are platforms where people having a common interest or concern come together to meet people with similar interests, express their ideas, thoughts with themselves and communicate. Some networking sites are made specifically to image-sharing, such as Flickr, Instagram, Pinterest and some to video-sharing, such as YouTube serves 10 billion videos a month to U.S. viewers alone.

Fradly (2011) conducted study on students to measure personal connections with brands on social media. It is found that there is positive correlation between reading and sharing messages on social media and students

desired to continue their relationship with the brands they interacted with. On the other hand, comparison of social media and traditional media is also important. Carlsson (2010) compared traditional media and social media, and found that the social media offered an interactive communication medium among brands and customers online by enabling them to communicate, interact and share their information or experiences through the web. Social media provided instant response to customer services problems and this resulted in to get good or bad news/feedback quickly (Brown, 2010). Social media also facilitated social interactions, and shares various user generated contents (Palmer & Koenig-Lewis, 2009) in a wide, fast, spread, viral and low-cost way (Miller et al., 2009; Stokes, 2008).

Social media marketing has been growing rapidly since the inception of social media, According to Weber (2009), a new form of marketing means to adopt a completely new way of communicating with target audience in a digital environment. The marketers should become aggregators of customer online communities, instead of continuing as broadcasters. It is not only to broadcast marketing messages to fastly growing indifferent audience. Instead, the social web marketers should participate in dialogues with people, organize and encourage social networks to online brand page/communities to which people want to belong.

In recent years, marketing strategies focused on the customer have changed rapidly and the number of users on social networks also increased, this situation has required Small, Medium Enterprises to consider social media platforms as tools to attract, maintain and manage their customers as well as a resource to obtain information about consumer behavior and behavior of market. These tools or medium help to save money, time and efforts on conducting market research. (Vásquez and Escamilla, 2014)

Marketers and brand managers use social media to engage their audience. Calder et. al (2009) conducted a study to examine the effect of online social media engagement on advertising. The results showed that both Social-Interactive and Personal Engagement affected reactions to the banner ads. The results of a regression model including both types of engagement indicated that Social-Interactive Engagement affected reactions to ads after controlling for Personal Engagement. The online media involved a distinct form of customer brand engagement and that this engagement have its own impact on advertising

effectiveness. Thus advertisement on online media should have power of customer engagement.

Haque, et. al (2013) identified that consumers were more attracted towards customized, personalised and relevant information. The advertiser could create customized message and presented it to specific target audience through facebook and other social media. They could also promote their products/brands as per the specific choice of the concerned groups on social media like fan pages, communities and groups etc. Thus marketing efforts and word of mouth on social media created brand awareness comprehensively.

Carlsson (2010) claimed that social media could be very valuable for creating long term relations with customers and for building brand awareness among them. There is variety of social media activities that could be initiated to build brand awareness. For example using a company blog gave the possibility to spread the corporate philosophy, thinking and to show the soul of the company to their target customers and other parties. It gave the possibility for fans to further spread the message. Facebook , Youtube and many other social media sites should be used in the same way.

Johansson (2010) conducted a case study to analyse the brand awareness of fast moving consumer goods on social media. The companies have adopted social media in their marketing communication strategy. He found that companies used social media as a tool to converse to their consumers and also to influence them to know about their products/services. Companies could earn good reputation through social media marketing and brand engagement. But contents should be interesting, attractive and should provide desired right amount of information.

According to Cheung et al. (2008) more and more consumers used Web 2.0 tools such as online discussion forums, weblogs, consumer review sites and social network sites to exchange product information. Online Word of Mouth could provide the opportunity to consumers to read other consumers' consumption opinions and experiences regarding products/brands as well as write contributions by themselves. Web 2.0 is used to create customer engagement and electronic word of mouth.

Consumers have trust in one another and SNSs have potential for word-of-mouth communications regarding products and services. The question facing marketers and companies is how to create this trust and dialogue with

members and encourage them to become those connectors proposed by Eccleston and Griseri (2008) and pass on company messages and recommendations to one another. So, trust and innovative use of contents on social media have an important effect for electronic word of mouth.

On the other hand, Weber (2009) suggested in his research that E-WOM could be a powerful tool to promote a brand, which could be used as one of the important advertising tools such as suggesting a brand from a fan page on SNS to others who might be unaware of the brand.

Whereas, Subramani and Rajagopalan (2003) suggested that the various online platforms themselves, which facilitated eWOM such as online discussion boards, forums and other online communication tools were also increasingly being recognized for how they influenced the adoption and use of products and services. Ioanās and Stoica (2014) have identified social media as a medium to influence the consumer behavior. The degree of exposure of the message is high on virtual environment. The companies also improved the details of their products and it helped in making strong relationship with the potential buyers who regularly followed them on social networks. Before purchase, consumers collected information about products from company’s websites, facebook profiles, online forums and reviews given by other users. In this way, social media really have a strong impact on customer behavior.

Lee (2013) described how consumer behavior have changed with the existence of social media. Now consumers have ample amount of information through social media. This way, they analysed information with different aspects. Social media offered them transparent and easy accessibility of information. Potential consumers could get customer experiences which helped in decision making. He found that essence of consumer behavior is still same in existence of social media.

**OBJECTIVES OF RESEARCH**

In light of the extant literature, there is increasing engagement of the users on social media, which influences all aspects of their thinking and behavior. Particularly in terms of making choices of the brands, the social media has an over as well as covert influence. Therefore, the users’ perceptions of the social media with reference to brand choice need to be studied. While there are lot of studies on perceptions on social media in general, this study investigates them in terms of the brand choice.

The objectives of the study are stated as under:

- a) To study social media usage pattern.
- b) To understand the users’ perceptions on social media with reference towards brand choice

**RESEARCH METHODOLOGY**

In order to develop the questionnaire, the variables from the extant literature have been identified. The following literature gives the variables and their literature source:

**Table 1: Variable under study**

Variables	Studies
Brand Choice	Sheth (2013), Keller (2003), Brown (1950), Phan (2011), Wang and Lin (2012), Musil (2015), Lee (2013), Kim and Ko (2010), Iyengar, Han and Gupta (2009)
Purchase Intention	Michel Laroche, Chankon Kim and Lianxi Zhou (1996), Balakrishnan , Dahnil and Yi (2014), Sheth (2013), Bickart & Schindler, (2001), Kim (2010), Lee (2013)
Customer Brand Engagement	Weber (2007), Calder et al (2009), Choudhary, & Alam, (2013), Plummer et al (2007), Haven et al. (2007), Thackeray et.al (2008), Bond (2010), Frady (2011), Hollebeek (2011), Kim and Ko (2010)
Brand Awareness (Brand Recall and Brand Recognition)	Aaker (1991), Aaker (1996), Keller (2003), Carlsson (2010), Johansson (2010), Xu and Chan (2010), O’Flynn (2012), Haque, et. al (2013),
E-WOM	Hennig-Thurau et al (2004), Cheung et al. (2008), Urban (2005), Weber (2007), Rust & Oliver (1994), Lewis & Bridger (2004), Bikart and Shindler (2001), Thackeray et.al (2008), Kotler & Keller (2009), Xu and Chan (2010), Weber (2009), Subramani and Rajagopalan (2003), Shabnam, Choudhary, & Alam, (2013)

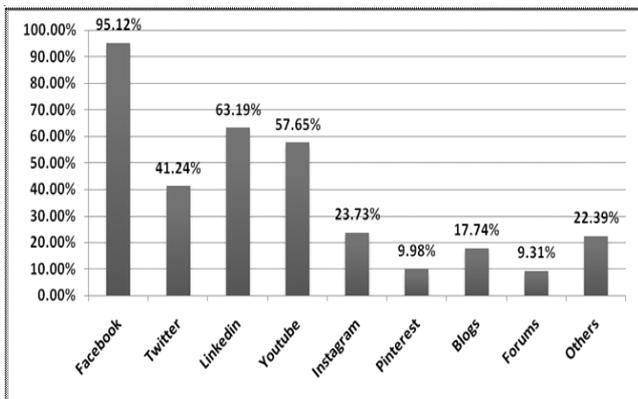
On the basis of these variables, 70 statements were formulated, which were pilot tested on 119 respondents and on the basis of this, survey, 13 statements were deleted and 57 statements were retained in the final questionnaire after making the necessary changes in the language and structure. Data is collected from 600 respondents of Delhi, NCR and Haryana personally, selected on the basis of their willingness to participate in the survey. However, only the data provided by 451 respondents is complete and worthy of further analysis. Data is analysed with the help of descriptive analysis entailing tabulation and graphical analysis. Perceptions were studied with the help of exploratory factor analysis (principal component method).

**FINDINGS**

The following discussion shows the results of the data analysis in terms of social media usage pattern and perceptions on social media.

**SOCIAL MEDIA USAGE PATTERN**

There are several social media platforms, prominently Facebook, Twitter, LinkedIn, Instagram, Youtube, Pintrest, etc. Each of these has its own USPs and attracts the users. The following graph shows the usage of various platforms of social media. Facebook has emerged as the most used social media platform with over 95% of the respondents affirming their use of this platform. LinkedIn is also growing rapidly, which is showing 63.19% respondents. The next popular social media platform is Youtube, because Youtube is popular for videos sharing and promotions/advertising. Now these days, tweets are attracting user’s interest very much. People share their opinions, views through single line Tweets. Many big personalities are on Twitter with millions of followers. This can be the reason that 41.24% respondents have accounts on Twitter.



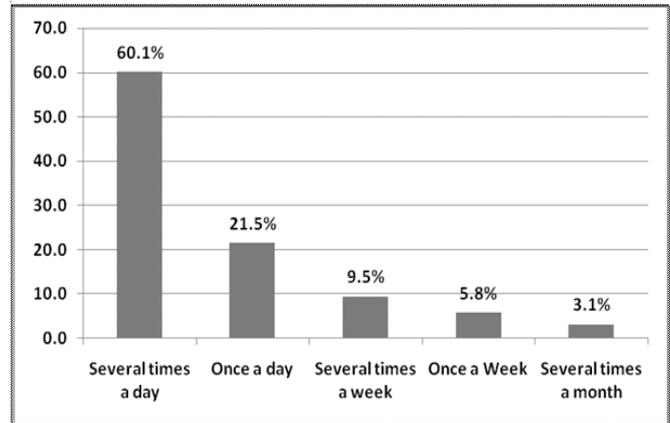
**Exhibit 1: Account on Social Networking Sites**

Instagram is also gaining popularity with 23.735 respondents having account on the same. People are also fond of taking pictures and getting themselves clicked. They now share photos on everyday basis. Thus, people like Instagram. Tech savvy users like to express their views through writing Blogs. 17.74% respondents have their blogs or members of blogs. There are 22.39% respondents who have their accounts on other social media platforms. Only 9.31% respondents are members of forums.

**FREQUENCY OF SOCIAL MEDIA USE**

Social media has become a part of the daily routine and people are visiting the social media platforms several times a day, or week. Users’ engagement increases with the frequency of use of social media. As shown in Exhibit 2,

most of respondents (60.1 percent) use various platforms of social media several times a day. Besides, 21.5 percent respondents use only once a day. The respondents who use social media several times a week were 9.5 percent. Moreover, only 3.1 percent, 14 participants visit more than once in a month.

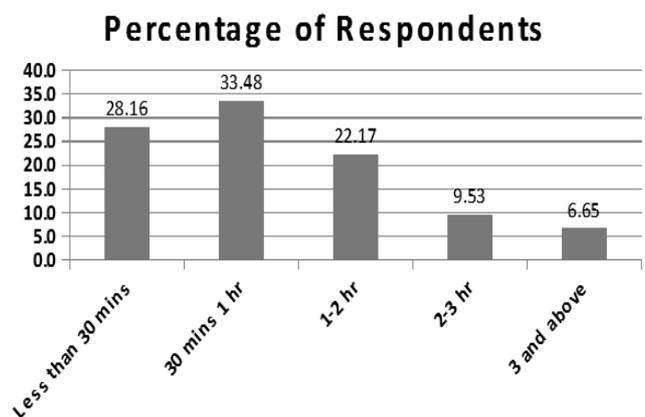


**Exhibit 2: Respondents’ frequency of Social Media use**

**SOCIAL MEDIA ENGAGEMENT (TIME SPENT)**

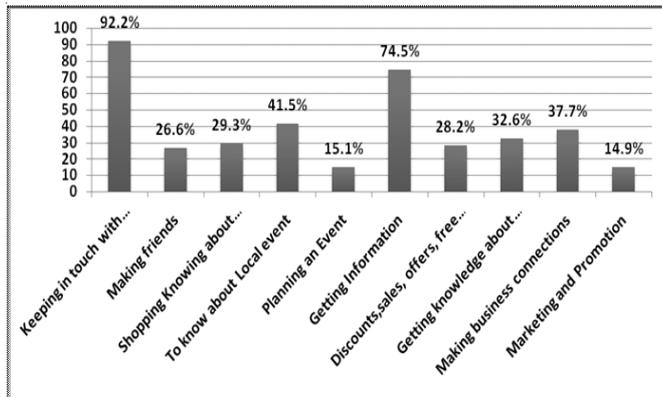
Social media is very absorbing activity and the time spent by the users on the same is an indicator of their level of engagement on the same. Exhibit 3 shows the time spent by the users on social media. It is found that most people (33.5%) spend 30 to 1 hours on Social Media every day.

There are 151 participants chose this answer. 22.2% respondents spend only 1 to 2 hours on Social Media, whereas, there are 28.2% people reported to have spent less than 30 mins on Social Media. Surprisingly, only 6.7% spend 3 and above hours a day. It is cleared that majority of respondents devote limited time on social media in a day.



**Exhibit 3: Respondents’ Time spend on Social Media use**

**PURPOSE OF USE OF THESE SOCIAL NETWORKING SITES**

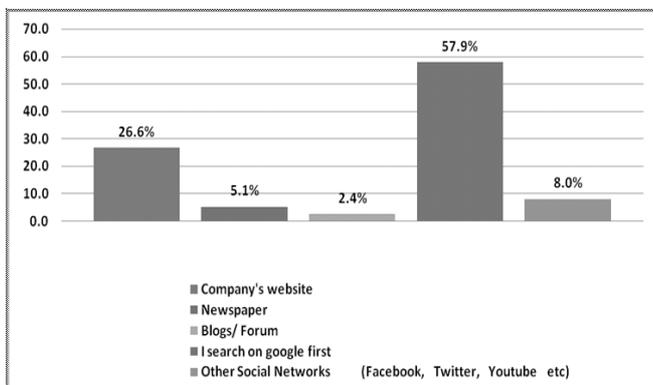


**Exhibit 4 : Purpose of using social media**

People use social media for different objectives. 92.2% respondents use social networking sites to keep in touch with friends/ relatives. As shown in Exhibit 4, keeping in touch with friends/ relatives is the most important purpose for using social networking sites. 74.5% respondents use social networking sites for getting information about the products and 41.5% respondents use to know about local events. 37.7% respondents use social networking sites for making business links. It can be because LinkedIn is at the second place on which respondents have accounts.

**PREFERRED SOURCE OF INFORMATION ABOUT PRODUCTS YOU WANT TO BUY**

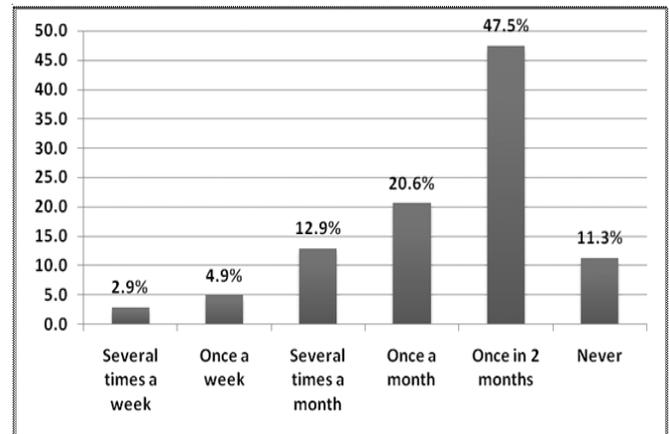
The exhibit 5 shows, it is evident that google search engine is respondent’s preferred source of information among all alternatives i.e. 57.9%. Secondly, they look for company’s websites for detailed information about products and services. Thirdly, 8% respondents prefer other social networks like Facebook, Twitter and Youtube etc for the products they want to buy.



**Exhibit 5 : Sources of Information to buy products**

**FREQUENCY OF ONLINE PURCHASE**

Exhibit 6 shows the frequency of purchase from the online sources through social media. Results show that a majority of the respondents (47.5%) use to purchase products online once in 2 months.



**Exhibit 6: Frequency of Purchase**

It means mostly respondents do not like to shop online frequently. 12.9% respondents purchase several times a month. Only 2.9% respondents purchase several times a week. 11.3% respondents said that they never purchased online. Though in filter question 1.2, 14% respondents said that they did not shop online, which means some respondents have given wrong response.

**DISCUSSION**

The above findings show that there are varying reasons of the usage of social media and the same is getting more and more engagement in the present times. Particularly the young generation is more prove to its usage. In terms of time spent, purpose of its usage and with more outreach, social media has vast potential to influence the users in terms of their thinking as well as their behavior.

**PERCEPTIONS ON SOCIAL MEDIA IN TERMS OF BRAND CHOICE**

To reduce the original set of variables into fewer and recognizable one, Factor analysis, a data reduction technique has been used, which also point out the relationship between the variables. Principal component analysis has been used for the present study. Factor analysis has been performed on 57 items to identify various factors from the 451 observations. It represents the perceptions of the respondents regarding brand choice on

social media, i.e..what do they think about social media in context to brands.

Results show that the KMO measure of overall statements is 0.972 (>0.05). It indicates the sampling adequacy is satisfactory. Moreover, the result of Bartlett’s test of sphericity shows that the significance level is 0.000 (<0.05), which is small enough to reject this null hypothesis.

**Table 2 : KMO Barlett’s Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.972
Approx. Chi-Square	21757.637
Bartlett's Test of Sphericity (DF)	1596
Sig	.000

From the table 2 i.e. total variance explained, six underlying factors are extracted with eigen values of 27.523, 3.472, 2.050, 1.734, 1.459 and 1.030 (>1.0), accounting for 65.383 percent (<60 percent) of the total variance of all variables under brand choice. Therefore, the factor extraction result is satisfactory. In order to get robust results from the factor analysis, the factor loadings were rotated through Varimax rotation method and on that basis, a five factor solution was obtained, as discussed below.

**Factor 1 : Brand Choice**

A total of 25 statements converged in the first factor, as shown in the following table. The factor loadings ranged from 0.738 to 0.401 and communalities were also above 0.4, showing significant loadings of these statements on this factor.

These statements broadly relate to various relying on the information obtained from the social media, overtly or covertly, for making a brand choice. These statements relate to the use of social media information, influence of friends/peers, etc., brand recognition, content on social media, sharing of information and experiences, endorsements,

brand decision making, etc. On the basis of the prime genesis of these statements, this factor has been connoted as ‘Brand Choice.’

**Table 4: Factor Loadings of Factor 1 (Brand Choice)**

Statements	Loadings
I consider social media platform provide me information about variety of brands	.738
I think using social sites is helpful for brand choice	.729
Brand recognition on social media is helpful in brand choice	.726
I consider that using social media platform increases my interest in buying products/services	.698
I consider that using social media platform help me to make decisions better before purchasing goods and services	.676
When brand awareness is helpful in brand selection on social media	.675
When my brand awareness on social media is high , I more likely to purchase the product	.669
Use of social sites can bring change in our brand choice	.666
Pictures, videos and campaigns, on social media platform are helpful to choose a brand	.661
I can easily compare the brands on social media	.657
Engagement with brand pages on social media helps me in brand choice	.638
Comments, likes, tweets and replies by my family friend’s on social media are helpful in brand choice	.629
Positive comments of the other users about a brand/ product on social media encourage me to purchase that product	.620
Suggested posts on social media help me to recall the brands	.600
Latest trending on social media helps me to recall the brands	.596
I consider the friend’s preferences while choosing brand on social media	.593
Advertisements on social media help me to recall the brands	.529
I follow the brand pages because it gives me information about deals, coupons, freebies and discounts	.526
Friend’s likes/comments help me to recall the brands	.519
I am very likely to buy products or services recommended by my friends on social media platforms	.499
Social sites help us to share our thoughts about different brands and services	.495
Brand engagement influence my purchase intention	.466
I believe that higher the engagement , higher the purchase intention	.463
Sharing brand experience with customers influence the purchase decision	.448
Negative comments of the other users about a brand/product on social media discourage me to purchase that product	.401

With the emergence of social media, newer perspectives to cognitive mechanism behind consumer brand choice

**Table 3 : Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	27.523	48.287	48.287	27.523	48.287	48.287	11.698	20.523	20.523
2	3.472	6.091	54.377	3.472	6.091	54.377	9.035	15.851	36.374
3	2.050	3.597	57.974	2.050	3.597	57.974	5.733	10.058	46.432
4	1.734	3.041	61.016	1.734	3.041	61.016	4.572	8.022	54.454
5	1.459	2.560	63.576	1.459	2.560	63.576	4.413	7.742	62.195
6	1.030	1.807	65.383	1.030	1.807	65.383	1.817	3.188	65.383

(Extraction Method: Principal Component Analysis)

behavior have emerged (Wang and Lin, 2011). Respondents endorsed the researchers (Sheth, 2013; Phan, 2011) that family endorsements and marketers influence their brand choice, even if this information is reaching them through social media. Similarly, despite of enormous growth of technology and social media, the role of marketing remain same such as describing the target market, communicating with potential customers, customer engagement, building brand loyalty and so on (Weber, 2009). The companies are engaging with customers to create brand awareness, engage their existing customers and growing channel number. All this are helpful to know how social media affects consumer’s decision of brand choice and phases of purchase process (Lee, 2013). Iyengar, Han and Gupta (2009), and Kim and Ko (2011) found the social impact on brand choice and so marketers are relying on social media for influencing brand choice.

**Factor 2 : Brand Engagement**

Users engage themselves on the social media through various methods of expression and with their increased engagement, there is a resultant increased brand engagement as well. The second factor comprised of 15 statements, as shown in Table 5. Their factor loadings ranged from 0.781 to 0.481 and communalities were above 0.40.

**Table 5 : Factor Loadings of Factor 2 (Brand Engagement)**

Statements	Loadings
I post on the forum of my favorite brand fan page	.781
I like to share pictures/videos with brand’s fans	.769
I have produced photo, video or story in order to participate in a contest held by brand	.749
I share a link or a fan page of a brand to other friends in my social media	.745
I will invite friends to learn more about the brand online	.720
I will recommend the brand fan page to a friend or colleague in the future	.659
I will talk about brand on blogs, social networks or social media platforms	.654
I feel my opinion or reaction on a brand fan page is valued	.608
I give advice tips or my experience to people who are fan of a brand based on things I have read on brand site or page	.590
I will share an advertisement that offers a discount or coupon from the brand to other friends in my social media account	.589
I use things from a site in discussion or argument with people I know	.586
I contribute to the conversation on the brand sites	.568
I follow a brand page recommended by my family or friends on social media	.546
I used any social media platforms as a source to search for information about the brand	.489
I bring up things I have seen on a social media platform	.481

Each of these statements relate to various engagement activities done by the users on the social networking. These entail posting of content, sharing of videos, brand recommendations, participating in brand conversation, follow brand page, giving advice, etc. Each of these statements relate to **brand engagement** and this factor has been connoted accordingly.

The emerging factor comprising of the statements is supported by previous research. Users like to share their thoughts, issues, opinions and concerns related to any events, brands, products and social media platform facilitate them do so and expect immediate as well as continuous reply from the other users (Seth, 2013). Brands organize various marketing programs and promotional events on social media, so that they can get attention of customers worldwide and engage them in brand related dialogues easily (Calder et al , 2009). The involvement of fashion merchandisers and the company have great impact on consumers. It builds purchase intentions among customers right away. This is the reason many big brands like Louis Vuitton, Chanel, Stella McCartney and Yves Saint Laurent now have accounts on Facebook as well as on Twitter. They keep informing their customers and followers about their products and engage them in conversation (Kim and Ko, 2011). If users read and share the messages posted by brands on social media then, it means they are interested to build and continue relationship with brands they interacted with (frady, 2011). Otherwise brands will lose their followers and potential customers. In this way, customer brand engagement is very significant factor in purchasing decision.

**Table 6: Factor Loadings of Factor 3 (Brand Recall)**

Statements	Loadings
I can quickly recall the symbol/ logo of the brands	.815
Some characteristics of the brand come to my mind quickly	.790
I am conscious about brand	.714
I already recognize some brands before using social networking sites	.701
I can recognize different brands on social networking sites	.595
Branded products and services assure good quality and services	.537
I can recall the brands on social networking sites	.517

It provides a subtle reminder to the users about the brand and the users get conscious and subconscious cues on recalling them though their colour, logo, symbol, jingle,

etc. In view of the central theme of the statements, this factor has been given the name ‘**Brand Recall**’ (Johnsson, 2010; Xu and Chan, 2012).

**Factor 4 (E-Wom)**

Table 7 shows the factor loadings of five statements in the fourth factor, which range from 0.735 to 0.460. Each of these statements broadly relate to the issue of word of mouth through the social media. The opinions are expressed freely on the social media

**Table 7: Factor Loadings of Factor 4 E-WOM (E-Word of Mouth)**

Statement	Loading
Social media platforms influence the opinion that I have about a brand	0.735
The comments of other users on social media encourage me or discourage me to buy a product	0.723
I trust on the information obtained via social media platforms by users	0.699
I use social media tools to get others’ opinions	0.518
I trust on the information obtained via online professional brand communities	0.46

Word of mouth is a very potent means of forming opinion about the brands and social media provides an open and free platform to express the opinions. Five statements converged in fourth factor and these related to the issue of using social media platforms to influence the opinion towards a brand, comments/ reviews assisting in encouragement/ discouragement to buy a product, trust, etc. Each of these pertain to the issue of word of mouth publicity through the social media platforms and accordingly, this factor has been given the name as **E-WOM, i.e. Electronic Word of Mouth**, a term which has been connoted by Chaudhary & Alam (2013) and Xu & Chan (2010).

**Table 8: Factor Loadings of Factor 5 (Brand Recognition)**

Statement	Loading
I recognize brands from videos shared by friends/firms on social media	0.657
I recognize brands from latest trending on social media	0.611
I recognize brands from Brand pages	0.608
I recognize brands from social media advertising	0.59
I seek expert opinion about brands on social media	0.488

The fifth factor comprises of the statements pertaining to the social media helping the users in recognizing the brands through the shared content, trends, expert opinions, brand pages and social media advertisements. The factor loadings range between 0.657 to 0.488. In light of the nature of the statements, this factor has been connoted as ‘**Brand Recognition**’ (Haque et. Al, 2013; O’Flynn, 2012).

**RELIABILITY**

**Table 9: Reliability of Questionnaire**

Construct	No. of Items	Cronbach Alpha
All variables	57	0.980
Brand Choice	25	0.972
Customer Brand Engagement	15	0.940
Brand Recall	7	0.903
Brand Recognition	5	0.889
E-Word of Mouth	5	0.863

As shown in the above table 5, questionnaire contains total 57 items. The Cronbach alpha score for factors influencing brand choice has been calculated to be 0.980 which is greater than 0.5. Thus, the internal consistency of the questionnaire is good enough to proceed for further data collection and analysis. The first factor – brand choice-contained 25 items on brand choice and purchase intention. The Cronbach alpha score for factors influencing brand choice has been calculated to be 0.972 which is greater than 0.5. The second factor ‘Customer Brand Engagement’ contains 15 items. The Cronbach alpha score for opinions regarding customer brand engagement has been calculated as 0.940 which is greater than 0.5. The third factor ‘Brand Recall’ contains 07 items. The Cronbach alpha score for brand recall is calculated to be 0.903 which is greater than 0.5. The fourth factor ‘Brand Recognition’ contains 05 items. The Cronbach alpha score for brand recognition is calculated to be 0.889 which is greater than 0.5, which indicated that questions are accepted. The fifth factor ‘E-Word of Mouth’ contains 05 items. The Cronbach alpha score for E-WOM is calculated to be 0.863 which is greater than 0.5. These variables show that the reliability analysis exceeding 0.7 and these variables are valid and reliable for further statistical analysis (Nunnally, 1978).

**VARIATION IN PERCEPTIONS**

The users of social media encompass all demographic segments comprising of almost all age groups, genders, income segments, occupations, etc. The variation in the

perception of social media for brand choice was studied with the help of ANOVA. The following table shows the F-values of five factors across various demographic measures (age, gender and occupation)

There is no statistically significant difference of influence of age, gender, education and occupation groups on brand choice on social media platforms. Hence, it can be inferred that there is no statistically significant difference of perception of respondents for each of the emerging factors across age, education and occupation groups on brand

choice, brand recall, e-WOM and brand recognition. The only significant difference has emerged in case of brand engagement across gender, where men show greater brand engagement than the females. Social media offers almost homogenous platform where everyone can express himself/herself almost freely and this is resulting in a convergence of thoughts, perceptions, opinions and even other cognitive factors. This could be one of the underlying reasons of no significant difference in perceptions emerging across demographic segments on social media and brand choice.

**Table 10 : Variation in Perception (ANOVA results)**

Sr.no.	Variables	Hypothesis	F	Sig.	Accepted/Rejected
1 (a)	DV= Brand Choice ( $\mu_1$ ) and IDV = Age groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.789	.533	Accepted
1 (b)	DV= Brand Choice ( $\mu_1$ ) and IDV = Gender groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.219	.640	Accepted
1 (c)	DV= Brand Choice ( $\mu_1$ ) and IDV = Education groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.657	.579	Accepted
1 (d)	DV= Brand Choice ( $\mu_1$ ) and IDV = Occupation groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	2.135	.076	Accepted
2 (a)	DV= Customer Brand Engagement ( $\mu_1$ ) and IDV = Age groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	2.291	.059	Accepted
2 (b)	DV = Customer Brand Engagement ( $\mu_1$ ) and IDV = Gender groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	4.841	.028	Rejected
2 (c)	DV = Customer Brand Engagement ( $\mu_1$ ) and IDV = Education groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.273	.845	Accepted
2 (d)	DV = Customer Brand Engagement ( $\mu_1$ ) and IDV = Occupation groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	2.222	.066	Accepted
3 (a)	DV = Brand Recall ( $\mu_1$ ) and IDV = Age groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.597	.174	Accepted
3 (b)	DV = Brand Recall ( $\mu_1$ ) and IDV = Gender groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.051	.821	Accepted
3 (c)	DV = Brand Recall ( $\mu_1$ ) and IDV = Education groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.289	.278	Accepted
3 (d)	DV = Brand Recall ( $\mu_1$ ) and IDV = Age groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.545	.188	Accepted
4 (a)	DV = Brand Recognition ( $\mu_1$ ) and IDV = occupation groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.020	.397	Accepted
4 (b)	DV = Brand Recognition ( $\mu_1$ ) and IDV = Gender groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.654	.199	Accepted
4 (c)	DV = Brand Recognition ( $\mu_1$ ) and IDV = Education groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.641	.589	Accepted
4 (d)	DV = Brand Recognition ( $\mu_1$ ) and IDV = Occupation groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	.594	.667	Accepted
5 (a)	DV = EWOM ( $\mu_1$ ) and IDV = Age groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	2.797	.026	Accepted
5 (b)	DV = EWOM ( $\mu_1$ ) and IDV = Gender groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.308	.253	Accepted
5 (c)	DV = EWOM ( $\mu_1$ ) and IDV = Education groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	1.105	.347	Accepted
5 (d)	DV = EWOM ( $\mu_1$ ) and IDV = Occupation groups ( $\mu_2$ )	$H_0: \mu_1 = \mu_2$	2.957	.020	Rejected

## CONCLUSIONS

Social media is a potent source of information and is keeping the users engaged and is influencing their cognitive as well as behavioural aspects. The perceptions on social media in terms of its influence on brand choice do point out towards its increasing influence on forming the brand choice and accordingly shaping their purchase intentions. Being extended and convenient platforms, they are very effective in assisting the users in the brand recall and recognition and also provide a room for brand engagement. With free flow of content, ideas, information, opinion, reviews, etc., social media is spreading word of mouth and is a very fast and potent platform for brand building. This freedom is leading to convergence of cognitive factors across all demographic segments, which facilitates the strategy formulation for marketing communication through social media. Besides this, it is a rich source of customer information, which can be leveraged to get information on user preferences, their demographic profiles and other such information, which can provide inputs to targeting, segmentation and positioning of the brands. Realizing its importance, more and more firms are relying on social media for brand building and are able to get measurable success through the same.

## FURTHER RESEARCH

A researcher aspiring to extend this study on social media and brand choice can find out the relationship between the cognitive (perceptions) and the behavioural aspects of the users. Modeling of relationship between perception and brand choice/ purchase intention can be an interesting study. Further, the effect of demographic variables on perceptions and brand choice can also be studied. The study can be extended to other segments, such as semi-urban areas, different demographic segments – housewives, teenagers, etc. Besides this, the ethical and social issues emerging due to social media can also be studied.

## LIMITATIONS OF THE STUDY

Every research has some limitations. This study also has certain limitations in its conduct. The study has been done on a sample chosen from Haryana, Delhi & NCR, which might not be a true representative of the users of social media as the profile of the social media users is undergoing a rapid change. Data has been collected by means of a

questionnaire, which might have been influenced by personal biases and perceptions of the respondents. It is also likely that some of the respondents might have erred in their responses because of lack of conceptual clarity on some of the issues. Although efforts were made to explain the questions to the respondents and their responses were recorded carefully, yet survey approach has its own limitations of exploring human perceptions. Some of the segments of the respondents, such as housewives and businessmen were not so open in divulging their responses candidly.

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# Critical Barriers Underpinning the Commercial Banking Services: A Shifting Trend towards the Micro Finance Institutions at Rural Areas

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## ABSTRACT

*Information and communication technologies in the banking sector are contributing to the expansion of financial access across the world. Though it is facilitating connections, but still a large number of poor people are outside the gamut of formal banking in the rural areas. However, the 'micro credit' or more broadly 'microfinance' approach was innovated and institutionalized in the Indian rural credit system, was aimed at overcoming the problems of formal credit system i.e. from Commercial Banks. MFIs (Micro Finance Institutions) are playing alternative or intermediary role to formal financial institutions in bringing financial intermediation to the doorsteps of its clients. In this connection, this paper highlights the major limitations or barriers of the banking service for availing of poor people to the rural area and highlights the shifting trend towards Microfinance Institutions. Using Convenience sampling method, the people located at Srikakulam district, Andhra Pradesh was yet to be surveyed through a self-administered questionnaire. Using an Exploratory Factor analysis, this paper identifies the critical factors like lack of Accessibility, Financial literacy and financial capability which leads the poor people to be dependent on Micro Finance Institutions. Multiple regression analysis is to be performed, identifies which factor is significantly plays a vital barrier to the banking sector for rural people and a perceived satisfaction towards Micro finance Institutions in that area.*

## INTRODUCTION

Financial inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income group. Even today, a large number of poor people are outside of the gamut of formal banking services in the country. In developing countries, the growth of microfinance institutions (MFIs) which specifically target low income individuals are viewed as potentially useful for promotion of financial inclusion. Micro-finance tends to thrive in developing countries where there is high unemployment and poverty as people seek to engage in informal sector activities. The significance of microfinance, beyond the lives it touches directly, is that it has taught us what is necessary to vanquish poverty. A system of microfinance usually signifies financial arrangement designed to help the rural poor transform their economic condition. However it can also be viewed as a means to transform rural economic, environmental and social development by empowering communities to find their own solutions to the developmental needs.

## NEED FOR MICROFINANCE INSTITUTIONS

In many developing countries the rural poor are often denied access to financial support because of inadequate infrastructure and pro-urban banking systems. Formal financial institutions are largely inaccessible to the poor as they are often costly, hard to reach, and offer products that seldom suit their needs. Moreover, the rural poor suffer from financial impediments due to their seasonal income, irregularity of work and job related migration. In the light of such issue, the need of the hour is a financial ecosystem built to meet their living standards ensuring the growth of the

### Key words

Micro Finance, banking barriers, factor analysis, multiple regression analysis, rural area

economy as a whole. Only sustainable financial institutions can reliably provide adequate financial services and continually increase their outreach to the poor. This may be overcome where microfinance systems are introduced. The need of microfinance arises because the rural India requires sources of finance for poverty alleviation, procurement of agricultural and farms input. Micro finance is a programme to support the poor rural people to pay its debt and maintain social and economic status in the villages.

### **OBJECTIVES OF STUDY**

01. To identify the critical customer service barriers faced by commercial banks in providing financial services at rural areas.
02. To identify the reasons for poor people depending on Microfinance Institutions.
03. To examine the relationship between the service barriers faced by commercial banks and perceived customer satisfaction towards microfinance institutions at rural areas.

### **HYPOTHESIS OF STUDY**

01. H1: Is there a significant relationship between Accessibility and customer satisfaction?
02. H2: Is there a significant relationship between Financial Capability and customer satisfaction?
03. H3: Is there a significant relationship between Financial Literacy and customer Satisfaction?

### **LITERATURE REVIEW**

- Ghate (1992) noted that Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations
- Christen (1994) points out formal sector institutions have access to broader resource-base and high leverage through deposit mobilization. Convenience of location, positive real rate of return, liquidity, and security of savings are essential ingredients of successful savings mobilization.

- Barry (1995) stated that Microfinance institutions can either provide savings or services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner
- Leyshon and Thrift (1995) defined financial exclusion processes as those which serve to prevent certain social groups and individuals from gaining access to the formal financial system.
- Anderson (1996) noted that Customer satisfaction enhances the firms and MFIs will generate benefit for themselves beyond the present transaction and the current moment. These benefits will arise from the positive shaping of the satisfied customer's future behaviour"
- Khandker (1998) stated that MFIs are playing alternative or intermediary role to formal financial institutions in bringing financial intermediation to the doorsteps of its clients a large number of poor people are outside the gamut of formal banking. Financial inclusion involves expanding their access to the financial system at an affordable cost.
- Morduch (1999) argues that microfinance had positive impact on poverty reduction. However he is keen to add that "Even in the best of circumstances, credit from microfinance programs helps fund self employment activities that most often supplement income for borrowers rather than drive fundamental shifts in employment patterns. It (microfinance) rarely generates new jobs for others and success has been especially limited in regions with highly seasonal income patterns and low population densities".
- Park and Ren (2001) noted that microfinance programs are united in aiming to provide financial services to individuals traditionally excluded from the banking system, especially women.
- Udejaja and Ibe (2006) provided a broader definition of a microfinance institution (MFI) as an organization specifically providing financial services to the poor. The organizational form varies but may be a credit union, downscaled commercial bank, financial NGO, or credit cooperative.

- Oluyombo (2007) opined that microfinance institutions and banks are fast becoming a household name globally due to its acceptance as a means of reaching those people that were not served by the conventional big banks.
- Karlan and Goldberg (2007) sees microfinance as the provision of small scale financial services to people who lack access to traditional banking services.

### LIMITATIONS OF STUDY

The study is mainly based on the customers of various Micro Finance Institutions which is located at Srikakulam district, Andhra Pradesh. It is assumed that information given by them is unbiased. Due to the fact that the sample respondents were taken from various villages located in Srikakulam district, the results of the present study may not be generalised to specific or other regions of various states. Since convenience sampling was used, all the non-probability errors would be present. Sample is restricted to a part of population that is readily accessible. As the sample size was 58 respondents it is not necessary that the study truly represents the views of the universe. Some of the respondents might have not given accurate responses; exact views or hide some information therefore this study ignores demographic profile of respondents. Time of submission, due to academic schedule the researcher had the limited time frame to complete this research.

### RESEARCH METHODOLOGY

While using Convenience sampling technique 58 respondents of Srikakulam district were selected in order to assess the key customer service barriers faced by the commercial banks while offering financial services at rural areas. A five-point likert scale ranging from strongly agrees (5) to strongly disagree (1) was related to each identified attribute.

### RESULTS & ANALYSIS

An exploratory factor analysis was used to uncover the underlying factors. Prior to running factor analysis, the Kaiser Meyer Olkin (KMO) measure of sampling adequacy and the Bartlett's test of sphericity were performed. The generated score of KMO was 0.773. The Bartlett's test of

sphericity was highly significant ( $p < .000$ ), rejecting the null hypothesis that the 12 attributes are uncorrelated in the population. Varimax rotation was used for principal components with factor loading of .4 or greater on a factor were regarded as significant. The principal components factor method was used to generate the initial solution. The eigenvalues suggests that a three- factor solution explains 66.983% of the overall Variance before the rotation. The factors with eigenvalues greater than or equal to 1.0 and attributes with factor loadings greater than 0.4 were reported.

Table 1 illustrates the results of the factor analysis. The three factors are: Accessibility, Financial capability and Financial Literacy. The overall determinant of the correlation matrix was 0.002 with a Bartlett test of sphericity value of 322.647, significance of the matrix is 0.000. The above statistics indicate that there was a significant correlation between the variables, and the use of factor analysis was appropriate. The Kaiser-Meyer-Olkin overall measure of sampling adequacy was 0.773, this was good.

### RELIABILITY

To test the reliability and internal consistency of each factor, the Cronbach's alpha of each was determined. The results showed that the alpha coefficients ranged from 0.832 to 0.856 for the three factors of independent variables and one factor of dependent variable.

### FACTOR ANALYSIS

#### Independent variables:

The three factors of independent variables underlying critical service barriers of commercial banks serving financial services at rural areas were as follows.

Accessibility (Factor 1) contains four attributes and explains 28.022% of the variance in the data. The attributes associated with this factor dealt with "Identification / Introduction", "Operate", "Inconvenience" and "Timings".

Financial Capability (Factor 2) loaded with four attributes accounted for 20.296% of the variance. They were "Absorptive capacity", "micro savings", "Variety" and "Low Income"

Financial Literacy (Factor 3) loaded with four attributes. This factor accounted for 12.448% of the variance. These

attributes were “Opening an account”, “Banking technology”, “Information” and “Understanding”.

**DEPENDENT VARIABLE**

The factor underlying the perceived customer satisfaction (Factor1) for the dependent variable contains attributes explains 76.877% of variance, attributes were “Immediately”, “Sincere interest” and “behaviour of employees”.

**Table 2 : Factor Analysis for Customer satisfaction towards MFIs as compared with banks: Dependent Variable**

Attributes	Factor Loading Factor 1	Communality	Reliability
Customer Satisfaction			
CS1	0.912	0.816	0.839
CS2	0.903	0.831	0.838
CS3	0.879	0.655	0.846
CS4	0.809	0.773	0.838

Note : Extraction Method- Principal Component Analysis

**Multiple Regression Analysis**

The multiple regression procedure was employed because it provided the most accurate interpretation of the independent variables. The three independent variables were expressed in terms of the standardized factor scores (beta coefficients). The significant factors that remained in

the regression equation were shown in order of importance based on the beta coefficients. The dependent variable, perceived customer satisfaction, was measured on a 5-point Likert-type scale.

The equation for perceived customer satisfaction was expressed in the following equation:  $Y_s = \hat{\alpha}_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6$  Where,

$Y_s$  = Overall level of perceived customer satisfaction with MFIs as compared with Commercial banks

$\hat{\alpha}_0$  = Constant (coefficient of intercept);

$X_1$  = Accessibility

$X_2$  = Financial Capability;

$X_3$  = Financial Literacy

$B_1, \dots, B_3$  = Regression coefficient

**Table 3: Multiple regression analysis**

**Model Summary**

Model	R	R Square	Adjusted R square	Standard error of the estimate
1	0.426	0.181	0.136	0.92963664

**ANOVA**

**Table 1: Factor Analysis for customer service barriers in commercial banks: Independent Variables**

Attributes	Factor Loading Factor 1	Factor 2	Factor 3	Communality	Reliability
<b>Factor 1: Accessibility</b>					
AC1	0.841			0.757	0.842
AC2	0.892			0.845	0.840
AC3	0.822			0.781	0.832
AC4	0.890			0.814	0.841
<b>Factor 2: Financial Capability</b>					
FC1		0.555		0.710	0.838
FC2		0.789		0.616	0.844
FC3		0.859		0.669	0.852
FC4		0.748		0.463	0.846
<b>Factor 3: Financial Literacy</b>					
FL1			0.712	0.410	0.849
FL2			0.735	0.636	0.855
FL3			0.798	0.755	0.856
FL4			0.564	0.581	0.854

Note: Extraction Method – Principal Component Analysis  
Rotation Method – Varimax with Kaiser Normalization

- a. Predictors: (Constant)
- b. Dependent Variable: Customer satisfaction (perceived)

**COEFFICIENTS**

Model	Unstandardized Coefficients		Standardized coefficients Beta	t	Sig.
	B	Std. err			
Constant	-1.317E-017	0.122		0.000	1.00
Accessibility	0.270	0.123	0.270	2.194	0.033
Financial Capability	0.067	0.123	0.067	0.544	0.589
Financial	0.322	0.123	0.322	2.617	0.011

Table 3 shows the results of the regression analysis. To predict the goodness-of-fit of the regression model, the multiple correlation coefficient (R), coefficient of determination(R<sup>2</sup>), and F ratio were examined. First, the R of independent variables (Three factors, X1to X3) on the dependent variable (customer satisfaction, or Ys) is 42.6% , which showed that the respondents had positive and high overall satisfaction levels with Microfinance Institutions. Second, the R<sup>2</sup> is 18.1 % , suggesting that more than 18% of the Variation of customer satisfaction was explained by the three factors. Last, the F ratio, which explained whether the results of the regression model could have occurred by chance, had a value of

3.985(p=0.012 which is p<0.05) and was considered significant at 95% confidence level. The regression model achieved a satisfactory level of goodness-of-fit in predicting the variance of customer’s overall satisfaction in relation to the three factors (barriers to banks), as measured by the above –mentioned R, R<sup>2</sup>, and F ratio. In the regression analysis, the beta coefficients could be used to explain the relative importance of the three dimensions (independent variables) of critical barriers to banks in contributing to the variance in customer satisfaction towards Microfinance Institutions (dependent variable).

As far as the relative importance of the three barrier dimensions is concerned,

Factor 1(Accessibility and B<sup>2</sup>=0.27, p=0.033ie; p<0.05)at 95% confidence level carried the highest level barrier of commercial bank and driving factor towards microfinance institutions, from the customer point of view (respondents).Factor 3 (Financial Literacy, B<sup>3</sup>=0.322, p=0.011 ie ;p<0.05) at 95% confidence level satisfies the relationship. Factor

2(Financial Capability,B<sup>2</sup>=0.067,p=0.589 ie;p>0.1) violates the factor.

Finally, two underlying dimensions are significant. Thus, the results of multiple regression analysis reject Hypothesis 2 states that there is no relationship between the financial capability and the customer satisfaction towards Microfinance institutions.

**CONCLUSION**

With financial inclusion emerging as a major policy objective in the country, Microfinance has occupied centre stage as a promising conduit for extending financial services to unbanked sections of population. Microfinance institutions serve as a supplement to banks and in some sense a better one too. Financial access captures how many people potentially have access to banking services. In the absence of commercial bank loans, access to microfinance affords low-income groups to receive loans for their economic activity. This paper identifies critical barriers like lack of accessibility and financial illiteracy in rural areas where poor people are not depending on commercial banks, MFIs on the other hand, affords low-income groups to receive loans for their economic activity. There is a need for more comprehensive and coordinated efforts at evaluating microfinance and its impact, both regionally and globally.

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- QUESTIONNAIRE ITEMS:**
- Accessibility:**
- Poor people, mostly , do not have any identification / introduction, which is accepted by banks to open an account.
- The branches of the bank do not operate in tribal, remote and difficult areas.
- The banks are inconvenient to poor people as they have to go for farm operations.
- The banks visiting hours during daytime would mean loss of wages for a day (go to wage earning).
- Financial Literacy:**
- The banks have several restrictions for opening an account.
- The banking technology sometimes restricts the people.
- Lack of information about the financial services.
- Lack of understanding of financial services and operations to be carried out.
- Financial Capability:**
- People don't have much absorptive capacity for all the financial services.
- People will have capacity in engaging in micro savings.
- Poor people need a variety of financial services, not just loans.
- Low-income people normally do not feel the need to bank as the transaction carried out by them is mostly in cash that too with low amount.
- Customer Satisfaction:**
- Flexible repayment term conditions are significant dimensions of customer service towards Micro Finance Institutions.
- Faster turnaround times of Micro Institutions as compared with Banks.
- MFI's are more influenced by the customer's locations & Cultural dimensions rather than banks.
04. When saving occurs, safety and interest rate benefits may not be to the extent available in the formal system.

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# Capital structure and Profitability: An Empirical Analysis of Cement Industry in the India

Alok Raj Bhatt & Khyser Mohd

## ABSTRACT

*The study examines the relationship between capital structure and the Profitability of Cement companies in India for the period of 2004-2015. Using two stage least squares, (2SLS) the results showed a significant relationship between capital structure and Profitability which is negatively related. The size of the firm appears a more important factor that determines the profitability in Cement Industry in India. There is a consistent evidence for a positive size- profitability relationship. The results of this study have shown that the capital structure of the firm has a significant influence on the profitability of Cement companies in India. Especially, long term debt to total assets ratio is negatively related with the profitability and this is an indication that Cement are averse to use more equity because of the fear of losing control.*

## INTRODUCTION

Though many theories tried to explain the capital structure, a model to determine the optimal capital structure is still a famous area among finance researches (Gill et al., 2011). It is widely reported that in the static trade-off theory of capital structure, a more profitable firm is predicted to have a higher leverage ratio (Frank and Goyal, 2005). The empirical relevance of trade off theory has often been questioned. Company chooses the debt and equity mix by balancing the cost and benefits. Component managers who identify the appropriate mix of debt and equity minimize the firm's cost of finance, maximize the profitability and thereby improve the competitive advantage. Different firm specific strategies are implemented by the managers to gain competitive advantage to the firm and thereby enhance the firm value result in performance differences (Gleason et al, 2000)

Modigliani and Miller (MM), (1958) provided that the well known theory of irrelevance of Capital structure where financial leverage does not affect the firm's market value. MM generally viewed this a purely theoretical result since in order to derive it, they had to assume away many important factors in which it would influence capital structure decision. Specifically theory was based on very unrealistic assumptions which cannot see in the real world. This provides the base with which to examine real world. This provides the base with which to examine real world and to consider reason why capital structure is relevant. In particular presence of an "Optimal Capital Structure" which minimizes the value of the firm and minimizes the cost of capital.

MM (1963) revised their former (MM,1958) standpoint by incorporating benefit of tax as a determinant of capital structure choice arguing that employing debt capital would increase the profit of the firm as interest paid on debt is a tax allowable expense. Therefore, Modigliani and Miller (1963) propose that in order to maximize the value of firm they should use as much debt capital as possible where they ignore the risk. Later researchers suggested alternatives to the MM theory by introducing agency theory (Jensen and Meckling, 1976), Pecking order theory (Myers and Mujif, 1984) and theory of Bankruptcy (Titman, 1984).

## Key words

Capital Structure,  
Profitability tax

Theories that have been developed to explain the capital structure of firms include bankruptcy cost, agency theory and pecking order theory. Bankruptcy costs are the increased cost of financing with debt instead of equity that results from a higher profitability of bankruptcy. According to Warner (1977) and Brealey and Myers (1992) the cost associated to the bankruptcy possibility such as legal and administrative cost would increase with the debt reducing the profitability and the value of the firm. Titman (1984) shows the bankruptcy costs are the loss in profits incurred by the firm as a result of the unwillingness of stakeholders to do business operations with them, in addition to that, the use of debt capital also leads to agency costs. Agency costs arise as a result of the relationship between shareholders and managers (Jensen and Meckling, 1976). Thus, higher leverage can mitigate conflicts between managers and shareholders concerning the choice of Investment (Myers 1984).

Agency theory suggests that capital structure decisions should be taken in order to minimize agency conflicts (Agency cost) and thus increase the profitability of the firm. Conflict between interests of shareholders and debt holders is the one particularly important agency issue. Further tradeoff theory (Myers 1984) suggests of giving priority to the debt financing considering the benefits of various strengths and the restrictions caused by debt financing costs. So there should be an ideal leverage ratio and, profitability and leverage ratio is positively related.

Further Myers and Majluf (1984) have formulated a pecking order hypothesis that places debt as the preferred source external financing. The pecking order theory predicts that firms will issue equity as last resort. Capital structure is created in accordance with the priority order of diversified resources aimed at answering the financial needs of firms (Frank and Goyal, 2007). Specifically, they issue equity when firm exhaust their debt capacity. Thus, firm's debt capacity plays a significant role in the choice and the size of debt financing.

The pecking order explain a negative relationship between capital structure and profitability, why the most profitable firms generally borrow less or *vice versa*. Not because they have low target debt ratio but because they don't need external money for financing activities as they have generated sufficient money from the business operations. If the firm has no sufficient funds for their capital investment, the firm issues debt which makes the firm has no sufficient funds for their capital investment, the firm issues debt which makes the firm less profitable. Brealey

and Myers, 1992, Gitman, 1997; and Weston and Brightman, 2000 contend that a capital structure concerns the composition of the liability of the company, or more specifically, which is the relative participation of the several financing sources in the composition of the total obligations. Simply the capital structure of a firm concerns the mix of debt and equity the firm uses in the operation. Brealey and Myers (1992) studies the cost associated with the bankruptcy possibility, identifying direct, legal administrative and indirect cost determined by the difficulty of managing a company during its bankruptcy process. They concluded that such cost increases with the debt capital and it will reduce the firm profitability. If the cost of debt is lower than the cost of equity, the firm with larger degree of financial leverage tends to present in normal conditions of operation, higher ratio of profitability on equity. This means the discounting the operational risk uncover from execution of companies business functions by the possibility of occurrence of rates of return lower to the expected ones. According to Brealey and Myers (1992) the estimation of cost of each capital source, basically serves to determine the minimum rate of profitability demanded to make the firm's investment more attractive. Brealey and Myer (2003) state that the firm can issue dozens of distinct securities in countless combinations but it attempts to find the particular combination that maximizes the market value of the firm. As each source has a specific cost, the return rate can be influenced in a significant way of each composition.

Choice of the optimum capital structure in compliance with three models (static trade-off model agency theory and the pecking order theory) study by Booth et al (2001) concluded that based on the market imperfections and asymmetric information that the choice will be decided on the possibility of generation of funds to the firm. Given the asymmetry of information. Based on the concept of asymmetric information the concept of optimal capital structure is also expressed by Myers (1984) and Myers and Majluf (1984). Myers (1984) argued with the notion of an optimal capital structure based entirely on the trade-off of cost and benefit of debt in a world of information asymmetry between owners and managers.

Gleason et. al. (2000) state that the utilization of different levels of debt and equity is one of the specific strategies used by managers in the search improved performance. Thereby firms attempt to achieve the optimal capital structure which minimizes the cost of capital, thereby improve its competitive advantage in market place. On the

other hand, higher financial leverage position is coupled with high financial risk. The capital accumulation is at the risk of loss if the firm enters in to financial distress. In order to protect the reputation of the firm and capital and maintain the financial strength, the firm decreases financial risk by taking on low financial leverage position, where the financing decision is linked with the operations of firm. The higher business risk associated with the higher return on assets is coupled with lower financial risk over lower financial leverage. Thus financial leverage is negatively related to the return on assets. However, as noted by Myer (2001), each theory works on its own assumption and hence, none of the theories gives a complete solution of the practice of capital structure. It is very clear from the above discussion that it is a still puzzle to choose the best capital structure for the firm.

This paper contributes to the literature by utilizing recent advances in panel data econometrics to investigate the determinants of profitability. The primary objective of this paper is to find out the important factors in determining profitability of Cement companies in India.

## **REVIEW OF LITERATURE**

MM was criticized due to the weakness and unrealistic assumptions. This provides foundation for the other theories and for the researcher to consider the market imperfections of firm value. MM (1963) indicated that because of the debt tax shield levered firm value is higher than the unlevered firm value. Contradictory results is shown by Stiglitz (1969) who explained the higher the debt capital, higher the risk of bankruptcy and lower the value of the firm. On the other hand, higher the debt would raise the profitability of the firm due to debt tax shield. Therefore, the relationship between firm performance and capital structure can be either positive or negative. Rajan and Zingales (1995) found that the relationship between profitability and leverage is negative and this result is consistent with Titman (1988) who found that the financial performance of the firm is negatively influenced by the debt level.

The finance theory and literature argue that the firms actually have more debt in their capital structure than appropriate. According to Harris and Raviv (1991), higher level of debt supports the interest of managers and shareholders and managers may underestimate the cost of bankruptcy recognition or liquidation. This lead to higher level of debt than the appropriate in the capital

structure which would then result in lower performance. Harris and Raviv (1991) argued that capital structure is related to the trade-off between cost of liquidation and return from liquidation to both shareholders and managers. Thus, firms might have more debt capital in their capital structure than is suitable as it gains benefits for both shareholders and managers which of course mitigate the agency problem too.

Gleason et al (2002) examined the relationship between performance and leverage and results indicate that there is a negative impact of debt on performance. Further this study has found that capital structure is not the only factor affecting the performance, but the size of the company also influences the performance. This is consistent with Rajan and Zingale (1995) who state the size of the firm has a positive impact on the supply of debt. Boot et al. (2001), Fama and French (2002) argued on negative effect of profitability on leverage, supporting the pecking order model. This indicates that leverage does not essentially lead towards higher performance as explained in the asymmetric information. But consistent with agency theory, higher the leverage could lower the performance of the organization. This suggests that firms which incorporate higher level of debt capital in its capital structure shows lower performance than the firm which have low level of debt capital.

Glancey (1998) investigates the determinants of growth and profitability in small manufacturing firms. This study examines the determinants such as size, age, location and industry group of small firm performance identified by the previous literature. Finding suggest that entrepreneurs in the large firm are motivated by financial factors and for the smaller firms lifestyle factors are the motivational factor. Firm characteristics are found to be limited in explaining the firm profitability. Glancey (1998) confirms that an older firm may have more rigid organizational structure which is not in the line with the changes in the up to date market conditions. This can negatively affect the firms performance. Researchers (Jenson and Meckling, 1976; Goddard et al, 2005) suggested that debt positively affects the firm value and performance. Increase in debt would increase the risk and increase the return on assets as well as due to the tax shield.

Other studies such as Goddard et al. (1996) analyze the dynamics of profitability investigating the persistence or profits of 995 large public limited companies for the period of 1972 in UK manufacturing and service sector firms. Firm size appears to be determinant of persistence of profit for

manufacturing but not for services, which suggest that barriers to entry may differ between the two sectors. Goddard et al (2005) shows that there is a consistently negative relationship between liquidity and profitability. Goddard et al (2006) found that a large proportion of the cross sectional or time series variance in firm level growth rate cannot be explained by variations in firm size.

A study based on Ghana, Abore (2005) argues that short-term debt is less expensive and higher the profit. This study found that ROE of the firm shows significantly positive relationship with the short term debt of firm. Consistent with the above studies, this study found that there is a negative correlation between profitability and long term debt. This again proves that higher the debt capital higher the risk of bankruptcy and lower the profitability of the firm. Arbor (2007) found the same relationship for the short term debt and long term debt confirming the previous findings. Further, this study confirms that size and sales growth have a negative relationship with ROA.

Many firms rely on bank overdraft and other short-term borrowings and in their total debt they include both long term and short term debt. This is reasonable as many firms use their short term fund as long term source of finance and to avoid bankruptcy, repaying long term debt using short term funds (Arnold, 2008). Gill, et al., (2011) presented that the impact of short term debt using short term debt to total assets and total debt to assets on ROA was positive in both the service and manufacturing industries and further this study indicated that short term debt to total assets; long term debt to total assets; and total debt to total assets had a positive impact on profitability. In contrast Omondi and Muthuri (2013) and Bouraoui and Louri (2014) found that leverage impacts negatively on the financial performance of the firm.

To sum up, firm with higher bankruptcy cost (high risk firms) tend to have less debt in their capital structure. the lower the level of debt reduces overall risk. Firms with higher agency cost tend to have more debt in their capital structure. From the above literature analysis it is understood that profitability can be improved by reducing the agency cost as noticed that owner-managed firms are more willing to take risk than managerial-controlled firm. The review of empirical studies which have been carried out worldwide confirms the factors that determine profitability. Firm size, Leverage, Industry type, Liquidity, age, ownership characteristics and sales growth are the popular variables among the researchers. These studies

vary from each other as they have used different periods, countries, industries and firms specific factors. With respect to the previous studies this paper adds new evidence about the effect of capital structure on the profitability of Cement Industry in the India. The relationship between explanatory variables and their measurements are based on the above review.

**METHODOLOGY**

This study depends on the dynamic model to examine the relationship between capital structure and profitability. Return on Assets (ROA), return on capital employed (ROCE) are used as dependent variables for measuring firm’s financial performance, while a set of independent variables with difference expected signs were used to measure the effect on firm’s profitability through the literature review.

**Table 1: Variable Definition and Expected Relationship.**

Variables name	Variable sign	sign	Definition
Performance	ROA, ROCE		Net profit to total assets, EBIT to capital employed
Capital structure	GEARING	-	Debt to Equity
Capital structure	TD	+/-	Total Debt to Total Assets
Capital structure	LTD	-	Long term Debt to Total Assets
Capital structure	STD	+/-	Short term Debt to Total Assets
Capital structure	STDTD	+	Short term Debt to Total Debt
Size	LOGSIZE	+	Natural log of Total Assets/Natural Log of Sales
Sales growth	SALESGR	+	Percentage growth of annual sales
Liquidity	LIQUIDITYR	+/-	Current assets to current liabilities

**PANEL DATA PROCEDURE**

The empirical procedure utilizes all the available observations from 2004-2015 for all the companies selected in the study. The fixed effect model allows us to use data, while the intercept is allowed to vary across firms and time. The effects of omitted explanatory variables can be captured in the changing company intercept. In addition to that by including a fixed time effect the model automatically assesses the impact of the macro environment on profitability.

The model for the empirical investigation can be stated as follow –

$$ROA_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 GEARINGR_{i,t} + \alpha_4 STDTD_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (1)$$

$$ROA_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 TDA_{i,t} + \alpha_4 STDTD_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (2)$$

$$ROA_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 LDA_{i,t} + \alpha_4 SDA_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (3)$$

Where the subscript I denotes the cross section, I = 1, 2 and t denotes the time. T = 1, 2 ... n.

ROA<sub>i,t</sub> is return on assets of firm I in time,

LIQUIDITYR<sub>i,t</sub> is liquidity of firm I in time t,

LOGSIZE<sub>i,t</sub> is sales or total assets of firm I in time t,

GEARINGR<sub>i,t</sub> is the financial leverage of firm I in time t,

STDTD<sub>i,t</sub> is the short term debt as a ratio of total debt of firm I in time t and

SALESGR<sub>i,t</sub> is the sales growth of the firm I in time t.

The parameter  $\epsilon_{i,t}$  is a time dummy variable to pick up aggregate factors which influence profitability, although does not allow variation across firms,

$\eta_i$  the unobservable heterogeneity of each firm and

$\epsilon_{i,t}$  measures the random disturbance.

Like Krishnan and Moyer (1997) we also use two proxies to measure profitability. An alternative model for equation 1 can be written as follows with the proxy of the dependent variable.

$$ROCE_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 GEARINGR_{i,t} + \alpha_4 STDTD_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (4)$$

$$ROCE_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 TDA_{i,t} + \alpha_4 STDTD_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (5)$$

$$ROCE_{i,t} = \alpha_0 + \alpha_1 LIQUIDITYR_{i,t} + \alpha_2 LOGSIZE_{i,t} + \alpha_3 LDA_{i,t} + \alpha_4 SDA_{i,t} + \alpha_5 SALESGR_{i,t} + \lambda t + \eta_i + \epsilon_{i,t} \quad (6)$$

Where all variables are defined as above excluding the dependent variables, ROCE<sub>i,t</sub>. ROCE<sub>i,t</sub> is the return on capital employed of firm I in time t.

DESCRIPTIVE STATISTICS

	SIGN	MEAN	S.D	MIN	MAX	COUNT
NP/TA	ROA	0.11085	0.0486	0.04	0.1828	10
EBIT/CE	ROCE	0.18443	0.0521	0.1008	0.2561	10
LTA/LTS	LOGSIZE	0.98878	0.0326	0.9346	1.0394	10
D/E	GEARING	0.9258	0.5829	0.1305	1.7937	10
CA/CL	LIQUIDITYR	0.926525	0.4957	0.5016	1.9893	10
SGR	SALESGR	0.21269	0.095	0.1061	0.4095	10
TD/TA	TDA	0.59739	0.1453	0.2791	0.7808	10
SD/TA	SDA	0.32081	0.0894	0.1849	0.4751	10
LD/TA	LDA	0.27452	0.1257	0.0409	0.4483	10
SD/TD	STDTD	0.542768	0.1508	0.4013	0.8829	10

In the present study, the two variables ROA and ROCE are considered as dependent variables on the other variables selected. The descriptive statistics shows that average ROA is 11.09%, while ROCE is 18.44%.

TDA 59.74% indicates that approximately 60 percent of total assets were financed through debt, of which 32 percent short term and 28 percent long term debt showing the fact that Cement Companies are depending up on short term debt for financing their operations. The STDTD is approx 54%, this signifies that the short term debt constitutes 54% in the total debt this signifies that, firms are using more of short term debt to finance their requirement and overall these companies are resistant to use external finance and use internally generated funds on the whole. Whereas the residual value, i.e., approx 40% of the assets are financed through Equity/ Internal source of Funds. The averaged sales growth is 21.29%, where as Liquidity ratio is 0.93. The Idle liquidity of 2:1 is considered as a base for the measure and comparison, a ratio under 1 indicates that a company's liabilities are greater than its assets and suggests that the company in question would be unable to pay off its obligations if they came due at that point. however in the present study the averaged liquidity ratio of 0.93 signifies that the cement companies have less amount of Current assets and in case they don't have sufficient current assets to discharge the short term liabilities and the other hand solution these companies have to depend up on either on long term debt to get discharge these short term obligations and this is somehow not recommendable (though these companies don't have huge proportion of external debt because having good amount of internal source also sometimes does not synchronies to cooperate the all time situations to meet the repayment of short term debts and this may cause the problem).

## CORRELATION MATRIX

	ROA	ROCE	LOGSIZE	GEARING	LIQUIDITYR	SALESGR	TDA	SDA	LDA	STDTD
ROA	1	0.9589	-0.6476	-0.9409	-0.3283	-0.2802	-0.5498	0.3187	-0.8858	0.8016
ROCE	0.9589	1	-0.7798	-0.9011	-0.2893	-0.0320	-0.4205	0.4297	-0.8106	0.6924
LOGSIZE	-0.6476	-0.7798	1	0.6659	0.3699	-0.1868	-0.1902	-0.7782	0.3537	-0.1539
GEARING	-0.9409	-0.9011	0.6659	1	0.3756	0.2529	0.5114	-0.2947	0.8234	-0.7055
LIQUIDITYR	-0.3283	-0.2893	0.3699	0.3756	1	0.3488	-0.2086	-0.7088	0.2749	-0.2666
SALESGR	-0.2802	-0.0320	-0.1868	0.2529	0.3488	1	0.2622	0.1041	0.2460	-0.4088
TDA	-0.5498	-0.4205	-0.1902	0.5114	-0.2086	0.2622	1	0.5427	0.7800	-0.7682
SDA	0.3187	0.4297	-0.7782	-0.2947	-0.7088	0.1041	0.5427	1	-0.1010	-0.0118
LDA	-0.8858	-0.8106	0.3537	0.8234	0.2749	0.2460	0.7800	-0.1010	1	-0.8936
STDTD	0.8016	0.6924	-0.1539	-0.7055	-0.2666	-0.4088	-0.7682	-0.0118	-0.8936	1

The analysis is based on the variant of equations and incorporating alternative proxies to measure profitability (ROA, ROCE), Leverage (TDA (LDA + SDA), GEARING) and Size (LOGSIZE). As can be seen in the variable definition 1 there are two alternative definitions for Profitability, two main alternative measures for leverage and two alternative measures for size of Firm.

## Panel regression for period 2004-2015

Panel A: Total sample; Dependent is ROA				
	Beta	Std. Error	T	P-value
ROA	-0.246	0.3442	-0.714	0.605
LOGSIZE	0.405	0.3305	1.224	0.436
GEARING	-0.050	0.014	-3.575	0.174
LIQUIDITYR	0.069	0.013	5.196	0.121
SALESGR	-0.233	0.028	-8.340	0.076
TDA	-3.160	0.481	-6.568	0.096
SDA	3.669	0.576	6.374	0.099
LDA	2.772	0.441	6.289	0.100
STDTD	-0.113	0.0385	-2.943	0.209

## Panel regression for period 2004-2015

Panel B: Total sample: Dependent is ROCE

Panel B: Total sample: Dependent is ROCE				
	Beta	Standard Error	t Stat	P-value
Intercept	1.199	0.093	12.840	0.049
LOGSIZE	-0.958	0.0898	-10.678	0.059
GEARING	0.001	0.004	0.319	0.804
LIQUIDITYR	0.034	0.004	9.342	0.068
SALESGR	-0.124	0.007	-16.353	0.039
TDA	-3.037	0.131	-23.250	0.027
SDA	3.187	0.156	20.394	0.031
LDA	2.671	0.119	22.319	0.029
STDTD	-0.028	0.011	-2.639	0.231

The analysis is based on variants of equations incorporating alternative proxies to measure profitability (ROA, ROCE), leverage [TDA (LDA+SDA), GEARING] and size (LOGSIZE). As can be seen in the variable definition there are two alternative measures for profitability, two

main alternative measures for leverage and two alternative measures for size of the firm.

Liquidity ratio is negatively correlated for all the estimations of ROA and ROCE the  $r$  value of which is -0.33, -0.29 respectively. There is evidence that lack of liquidity has been an important cause of business failure. Higher the liquidity lower the profitability confirms the negative correlation between net profits to assets and earnings before interest and tax to capital employed. A survey conducted by the society of practitioners of insolvency (1999) reveals that lack of working capital and non-paying debtors are increasingly cited by companies as the primary reason for failure.

Sales growth also shows a negative correlation with profitability but the  $r$  value's are -0.28 and -0.03 which are not significant or can say can be aid that these variables are negatively correlated with the negligible value of  $r$ . sales growth which could be an indication of firm's business opportunities is an important factor allowing firms to enjoy improved profitability.

The variables which measures the impact of short term debt on profitability is highly significant in all the estimations and it is positively correlated with the profitability, these findings are consistent with the Fama and French (1998) and Abore (2007). Abore (2005) argues that short-term debt is less expensive and higher the profit. This study found that ROE of the firm shows significantly positive relationship with the short term debt of firm. Consistent with the above studies, this study found that there is a negative correlation between profitability and long term debt. Here in the present study also the correlation between profitability and LDA is negatively correlated with the  $r$  value of -8.9. and -0.81.

Return on Asset and Return on Capital employed as a measure of profitability is negatively correlated with gearing (Debt equity) the  $r$  value of which is -0.94, -0.90.

GEARING is always negative and consistent with the previous research studies. The firm that becomes highly geared may tend to endure as the proportion of gross profit dedicated for serving debt increases. The  $r$  value confirms the inverse relationship between profitability and leverage, a more profitable company will have less leverage which is supported the pecking order hypothesis, which suggests that firms prefer to use more internal equity to external funds. Arcas and Bachiller (2008) found that British firms have less leverage and the reason they explain for that is the British capital market are very developed and these firms will prefer to issue stocks in order to obtain financing, as well as with TDA also these two variables are negatively correlated where the  $r$  value is -0.55 and -0.43 respectively.

The variable which measures the short term debt to total debt shows positive correlation with profitability ( $r= 0.802, 0.692$  respectively). This implies that long term debt is costly than short term debt. Overall selected Cement companies in India, find short term debt is more profitable than long term debt.

## CONCLUSION

This study has examined the relationship between Capital structure and Profitability of Cement companies in India for the period of 2004 to 2015

The estimation results indicate a negative relationship with the profitability and gearing ratio for both measures of profitability. The same relationship is shown for the other measures of leverage (TDA) and profitability for all estimations and the results also statistically significant. This is an indication that Cement industry is consistent with the theory because higher the leverage greater the agency cost of outside debt. However in terms of long term debt and total assets (LDA) the results shown a statistically significant negative relationship with profitability while short term debt to total assets (SDA) shows a positive relationship with profitability. This implies that **profitable firms use more short term debt to finance their operations**. Therefore, short term debt plays an extraordinary role in financing operations of Cement industry in India. This could be the reason that use of expensive debt creates agency problems and could result in negative relationship with profitability. This confirmed by Arbor (2007) and Gleason et al (2000).

Liquidity refers to a firm's ability to meet its short term financial obligations. The estimation result shows negative correlation with profitability. the negative relationship between liquidity and profitability ratio.

The analysis shows that there is a *weak link* between sales growth and Return on assets and Return on capital employed. This is evident in both the lack of any significant relationship between the performance equation of sales growth and ROA and ROCE. Sales growth is positively related with profitability in most sectors and positively correlated in all estimations of total sample. But this is not an important factor as we find an insignificant relation for the profitability of Cement Companies in India. The implication that short term increase in growth will have no profitability effect and vice versa. **Roper (1999) found the same that number of firm characteristic had the opposite marginal effect on profitability.**

The result of this study has shown that the capital structure of the Firm has significant influence on the profitability of Cement companies in India. Especially Long term debt to total assets ratio negatively related with the profitability and this is an indication that Cement companies are averse to use more equity because of the fear of losing control and therefore employ more debt than in the capital structure that would be appropriate.

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## Is Impulse Buying a Consumer's Tendency in the State of Goa?

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### ABSTRACT

*Every consumer end up purchasing extra items which are never thought of purchasing before entering the store. Most of the time a consumer ends up buying unplanned items from the retail store. This unplanned buying behavior is termed as 'Impulse buying.' Impulse buying is an urge to have the product to fulfill short term desire. This urge of buying extra is mostly build up by the retailers by using various factors like promotional schemes, discounts, low pricing of products, product display, etc. The retailers use these factors in order to earn profit and increase their market share. In this research paper, an attempt has been made to study impulse buying behavior of consumers in Goa. The consumers were divided into urban consumers and semi-urban consumers. Fourteen factors are considered which activate the impulse purchasing behavior of consumers in Panjim (urban) and Sanquelim (semi-urban). Results reveal that the consumers of Goa (Panjim and Sanquelim) do influence by most of the factors of impulse buying. This is because impulse buying happens when one gets caught up in the hype of a situation and buys something without thinking much about it. Research findings suggest that emotions and feelings play a decisive role in purchasing.*

### INTRODUCTION

Consumer behavior is unpredictable; sometimes consumers themselves get confused while they are shopping. Consumers buying behavior keeps on changing time to time due to different variables such as consumer characteristics (age, gender, culture, mood, impulse buying tendency, shopping enjoyment, etc.); store characteristics (store layout, presence of salesperson, store atmospherics, store type, etc.); product characteristics (product category, product price, etc.) and other situational factors such as time, money, the presence of others, in-store browsing, temptation to try latest products, getting influenced by store offers and so on. As the behavior is uncertain the consumers tend to lose control while shopping when they get influenced by above factors and this is how we end up buying extra items. Most of the consumers prepare a shopping list and leave the house in the anticipation that we are going to buy things which are present in the list but most of the time we consumers end up buying extra items then what was actually required. Sometimes, when consumer buys impulsive product and after a moment realized that the product was not actually required there is no choice rather than using it somehow.

Most of the impulse buying takes place in malls, departmental stores, supermarkets, etc. where in we sees wide range of items. When a consumer has too many options to choose from there are chances that she may get confused and tend to do impulse buying. We may also get tempted when we see our favorite item and then we forget everything and just buy the product. Impulse buying can be described as a rat trap where in the retailers place a bait in the form of discounts, promotional schemes, offers, etc. and when the consumers get influenced by these factors they get trapped. To prevent getting into the trap of impulse buying we consumers should be wise enough while shopping.

### Key words

Impulse buying,  
unplanned buying,  
promotional schemes,  
retailers, consumers, retail  
stores.

## LITERATURE REVIEW

Dennis W. Rook (1987) defines impulse buying as "Impulse buying occurs when a consumer experiences a sudden, often powerful and persistent urge to buy something immediately." At many times our inner urge or temptation to purchase a particular thing intensifies to such an extent that without a degree of planning we jump into purchase (Shweta Choudhary(2014). An impulse purchase or impulse buy is an unplanned decision to buy a product or service, made just before a purchase ( Verma Priyanka and Verma Rooble(2012). Impulse buying disrupts the normal decision making models in consumers' brains. The logical sequence of the consumers' actions is replaced with an irrational moment of self gratification (Kannan and Vinayagamoorthy(2014).

Today, retailers are increasingly making use of various in-store influencers for converting browsers to spenders. However, success depends on how the customers perceive these influencers ( Mohd. Rumzi Taushif and Manisha Gupta(2013). The purchasing power of the people has really gone up and thus the impulse buying of the commodities is on a great increment mainly due to price strategies (Kannan and A. Vinayagamoorthy(2014). Now, the producers and marketers turn to induce the consumers to make impulse buying. Results of the marketing strategies and promotional methods, they try to change the consumer decision making style through impulse buying (Vidhya & Tamizhjothi(2014). One thing leads to another, and before the shopping extravaganza is over there are more bags than one can carry and more money spent than intended. However, there are so many exquisite items purchased and some even bought at discount prices. Impulse buying as a marketing tool is a concept that has been explored dating back to the 1950's (Andrea Kruszka(2012).

Majority of the customers are deciding their purchases inside the store due to in store stimuli, availability of credit cards and the influence of the sales staff or the fellow customers and sometimes because of customer's personality traits (Sagini Thomas Mathai, Haridas(2014). According to Aastha Verma Vohra (2014) Consumer behavioral traits or characteristics are the most imperative part in the study of consumer behaviour. There are lots of factors that influence the rash decision of impulse buying of an individual such as- discount offers, behavior of the sales person, display of the product, nature of the product, situation of the customer, personal characteristics of the shopper, etc. In brick and mortar retailing, impulse

behavior has become an important source of revenue for the business. The marketers attempt to practice all the tactics to tap the impulsive behavior of the consumer (Dr. Shweta Choudhary(2014). Retailers generally take information and communication techniques such as store atmospheric design and interaction between shoppers and store employees to perform in-store marketing strategy. Shoppers' impulse purchases are the essential source for retailers to enhance sales performance and make profits especially in the electronics industry (Peiwen Jiang and Xuefei Liu(2014).

Impulse buying happens when one gets caught up in the hype of a situation and buys something without thinking much about it. (Verma Priyanka and Verma Rooble (2012). The proliferation of organised retail in the form of malls & brand outlets has brought in a sea change in the shopping habits of Indian customers, who considers this as an entertainment. This trend was accentuated with the buying capacity of customers. This has led to the rapid increase in impulse buying behavior (Sagini Thomas Mathai1, Dr. R. Haridas2(2014). It is not only the kids who resort to impulse behavior but many times the adults of rational mind displays the impulsive (Shweta Choudhary(2014).

## METHODOLOGY

In this research paper, an attempt has been made to study impulse buying behavior of consumers in Goa. The data required for the study is collected through questionnaire and personal interview. The respondents were asked to tick mark (ü) the appropriate option. The responses collected were tabulated and compiled in suitable form for the purpose of analysis. The sample size taken is 100 (50 from Panjim and 50 from Sanquelim). The questionnaire is framed as per likert scale. Likert scale includes strongly agree=5, agree=4, neutral=3, disagree=2 and strongly disagree=1. Cluster sampling technique was used to distribute the population of the sample. Cluster sampling is a sampling technique used when "natural" but relatively homogeneous groupings are evident in a statistical population. It is often used in marketing research. In this technique, the total population is divided into these groups (or clusters) and a simple random sample of the groups is selected.

The analysis is basically on consumer behavior on the factors of impulse buying. The analysis is undertaken with the help of SPSS. Data is analyzed using Chi square method. Chi square test is a statistical method assessing

the goodness of fit between a set of observed values and those expected theoretically. 5% level of significance is considered.

**FORMULATION OF NULL HYPOTHESIS**

- $H_0$ : There is no difference in behavior of various age categories with respect to impulse buying factors.
- $H_0$ : There is no difference in impulse buying behavior between male and female i.e. they behave in the same manner.
- $H_0$ : Customers of different occupation do not behave differently with the factors of impulse buying.
- $H_0$ : There is no change in behavior between different types of customer with regards to factors influencing impulse buying.

**RESULTS AND ANALYSIS**

**Table 2: Table showing age - low price Cross tabulation of Sanquelim Town (Semi-Urban)**

		low price					Total
		strongly disagree	disagree	neutral	agree	strongly agree	
Age	below 18	1	0	2	4	3	10
	18-25	0	0	6	1	0	7
	26-35	0	1	1	5	6	13
	36-45	0	1	1	5	1	8
	45 and above	1	3	3	1	4	12
Total		2	5	13	16	14	50

In all the cases we accept null hypothesis except for one i.e there is difference in behavior among the different age groups when it comes to low pricing. As we can see in the above table customer in age category between 26-35 years is more price conscious so they will opt for impulse buying

**Table 1: Table showing the results of Sanquelim Town (Semi-Urban)**

Cross Tabulation Variables	Sanquelim					Age		Gender		Occupation		Customer type	
	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	Chi square value	P value						
Discount price	17	20	10	3	0	13.496	0.334	1.515	0.679	4.01	0.911	21.055	*0.050
Promotion scheme	16	15	11	5	3	14.875	0.534	2.125	0.713	10.413	0.580	11.568	0.773
Low price	14	16	13	5	2	28.877	0.025*	0.448	0.978	17.692	0.125	16.97	0.388
Offers organized by superstore	6	17	14	13	0	12.025	0.444	0.672	0.880	8.594	0.476	9.798	0.634
Display of product	7	17	15	8	3	23.385	0.104	0.523	0.971	17.83	0.121	22.691	0.122
Salesman's demo	4	12	18	8	8	21.486	0.161	8.267	0.082	13.75	0.317	11.168	0.799
Popularity of product	7	20	14	7	2	12.381	0.717	5.844	0.211	15.137	0.234	18.61	0.289
Income status	14	12	14	9	1	19.531	0.242	1.367	0.850	9.418	0.667	11.528	0.776
Childs influence	8	15	20	6	1	14.154	0.587	4.794	0.309	6.083	0.912	20.223	0.210
First sight attraction	10	11	19	8	2	13.25	0.654	3.572	0.467	11.764	0.465	17.642	0.345
To try latest	11	19	9	7	4	14.151	0.587	2.47	0.650	9.853	0.629	17.746	0.339
Friends influence	4	16	13	12	5	7.97	0.950	1.533	0.821	6.142	0.909	20.971	0.180
Mood	7	15	13	9	6	14.854	0.535	8.026	0.091	9.717	0.641	15.267	0.505
Senses	8	19	13	5	5	13.428	0.641	3.318	0.506	24.829	*0.016	16.914	0.391

Note: \* mark indicates that the null hypothesis is rejected

In all the cases we accept the null hypothesis except for: Age\* low price, occupation\*senses and customer type\* discount price that means there is change in behaviour.

only because they are getting the product at low price. Followed by customers below 18 age category don't earn any income they are students so they can spend only from their pocket money, so they will spend on least priced products and customer 45 and above are aged customer who will try to save while picking up things. So low pricing can influence these three age groups. Now, customers of age group of 18-25 years and 36-45 years for them quality will matter a lot and they are ready to pay more for the product as they are searching for branded and quality products.

**Table 3: Table showing occupation - senses Cross tabulation of Sanquelim Town (Semi-Urban)**

Occupation		Senses					Total
		strongly disagree	disagree	Neutral	Agree	strongly agree	
Occupation	Self-employment	1	1	0	1	4	7
	service	0	2	1	10	2	15
	student	2	2	7	4	1	16
	others	2	0	5	4	1	12
Total		5	5	13	19	8	50

So we do not accept null hypothesis for senses i.e people of different occupation behave in different manner with respect to their senses associated with the store. In the above table under strongly agree column, Self employed

customers they are more influenced by the senses i.e the environment of the store. But rest of them i.e customers from service, student and other occupation they don't pay much attention to the senses of the store because their main aim is to shop.

**Table 4: Table showing type of customer - discount price Cross tabulation of Sanquelim Town (Semi-Urban)**

type of customer		Discount price				Total
		Disagree	neutral	agree	strongly agree	
type of customer	Economic	1	3	4	1	9
	Convenience	1	2	3	2	8
	Image	0	0	7	0	7
	Variety	0	4	3	9	16
	Loyalty	1	1	3	5	10
Total		3	10	20	17	50

We do not accept null hypothesis in case of discount factor because the customer of different type will behave differently when they get discount.

In the above table under strongly agree column variety oriented customers and more influenced by discount factor. Then there are loyal customers who stick to their brands so if their brand provides discount or even if their brands don't provide discount they will still buy the product.

**Table 5: Table showing the results of Panjim City (Urban)**

Cross Tabulation Variables	Panjim					Age		Gender		Occupation		Customer type	
	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)	Chi square value	P value						
Discount price	7	32	9	1	1	19.588	0.239	3.522	0.475	15.745	0.203	17.097	0.379
Promotion scheme	8	19	15	7	1	9.562	0.889	4.426	0.351	12.554	0.402	31.112	*0.013
Low price	10	20	15	2	3	17.44	0.358	1.000	0.910	17.649	0.127	24.361	0.082
Offers organized by superstore	3	19	22	5	1	16.269	0.434	2.189	0.701	19.034	0.088	29.064	*0.024
Display of product	3	19	16	10	2	18.037	0.322	4.762	0.313	4.704	0.967	25.208	0.066
Salesman's demo	3	13	19	12	3	19.835	0.228	0.796	0.939	7.632	0.813	12.197	0.730
Popularity of product	9	26	11	3	1	25.65	0.059	4.356	0.360	8.952	0.707	27.26	*0.039
Income status	15	14	16	2	3	12.989	0.674	4.067	0.397	23.856	*0.021	20.435	0.201
Childs influence	4	9	21	9	7	12.702	0.694	0.413	0.981	17.89	0.119	12.953	0.676
First sight attraction	4	18	17	6	5	5.191	0.995	3.218	0.522	10.031	0.613	14.716	0.546
To try latest	3	20	16	6	5	10.12	0.860	1.733	0.785	15.211	0.230	13.437	0.641
Friends influence	1	20	15	8	6	11.021	0.808	1.767	0.779	17.814	0.121	21.122	0.174
Mood	6	10	18	14	2	18.273	0.308	0.686	0.953	8.277	0.763	18.257	0.309
Senses	7	21	12	8	2	12.518	0.708	2.69	0.611	10.694	0.555	22.155	0.138

Note: \* mark indicates that the null hypothesis is rejected

Whereas, convenience oriented customer will look for easy shopping and hence discount factor does not affect them. Image oriented customers they will look for branded products and ready to pay high price. Economic oriented customers they will not get easily influenced by this factor as they do their shopping within their budget.

In all the cases we accept null hypothesis except for: Occupation-income status and customer type-discount price, popularity of product and offer organized by superstore. That means there is difference in behaviour.

**Table 6: Table showing type of Occupation-income status Cross tabulation of Panjim City (Urban)**

		Income status					Total
		strongly disagree	disagree	neutral	agree	strongly agree	
occupation	self-employed	1	0	1	1	2	5
	Service	1	0	4	4	5	14
	Student	1	0	11	7	7	26
	Others	0	2	0	2	1	5
Total		3	2	16	14	15	50

In above table under strongly agree column, income status will affect more for students as they don't earn any income they depend on their parents for money so for them income status will be the factor that influences their impulse buying behaviour. Customers those who are under service occupation their impulse buying behavior will depend on their salary.

**Table 7: Table showing type of Promotion Scheme-Customer Type Cross tabulation of Panjim City (Urban)**

		Promotion scheme					Total
		strongly disagree	disagree	Neutral	Agree	strongly agree	
Customer type	Economic	0	2	3	7	3	15
	Convenience	0	1	5	4	1	11
	Image	0	0	0	0	3	3
	Variety	1	0	5	4	1	11
	Loyal	0	4	2	4	0	10
Total		1	7	15	19	8	50

In the above table under strongly agree column we can see change in impulse buying behaviour of the customer with regards to promotional schemes. Economic and image oriented customers are more influenced by promotional schemes.

**Table 8: Table showing type of Offers- Customer Type Cross tabulation of Panjim City (Urban)**

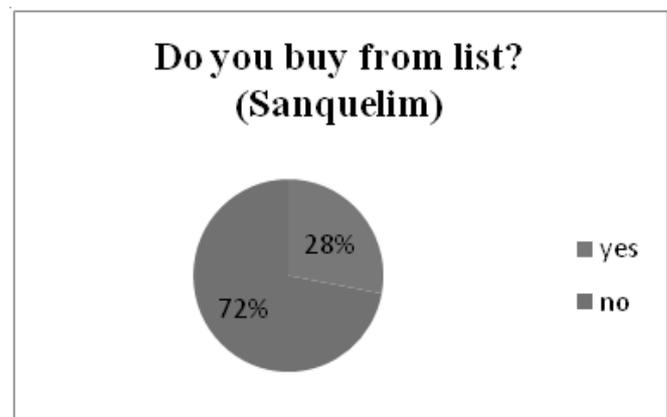
		Offers					Total
		strongly disagree	agree	Neutral	Agree	strongly agree	
Customer type	Economic	1	2	8	4	0	15
	convenience	0	0	6	4	1	11
	Image	0	0	0	1	2	3
	Variety	0	1	5	5	0	11
	Loyal	0	2	3	5	0	10
Total		1	5	22	19	3	50

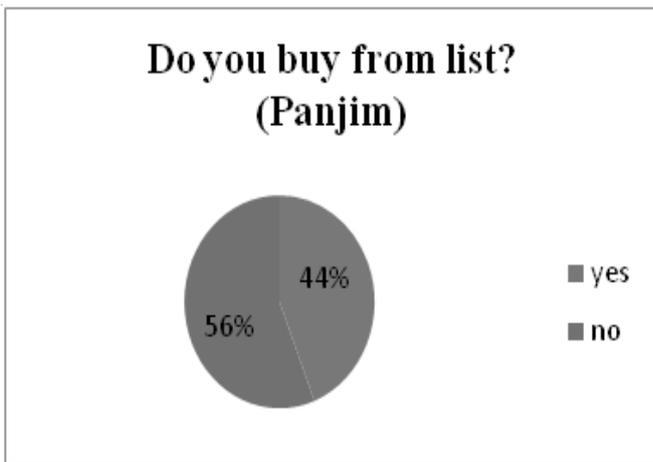
In the above under strongly agree column table we can see that offers provided by the store are not that important factor in order to influence the impulse buying behaviour of the customer.

**Table 9: Table showing type of Popularity of the Product- Customer Type Cross tabulation of Panjim City (Urban)**

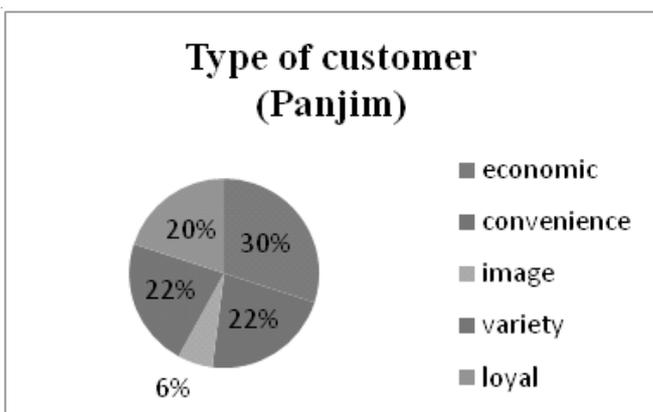
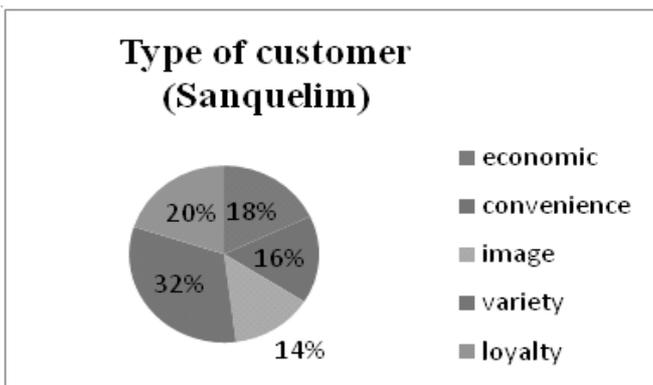
		Popularity of product					Total
		strongly disagree	disagree	Neutral	Agree	strongly agree	
Customer type	economic	0	2	5	5	3	15
	convenience	0	1	2	7	1	11
	image	0	0	0	0	3	3
	variety	0	0	3	6	2	11
	loyal	1	0	1	8	0	10
Total		1	3	11	26	9	50

In the above table under strongly agree column Popularity of product is important factor for image oriented customers which is obvious. And economic oriented customer will see the popularity of the product because they are the ones who will see for popular products at lower price.





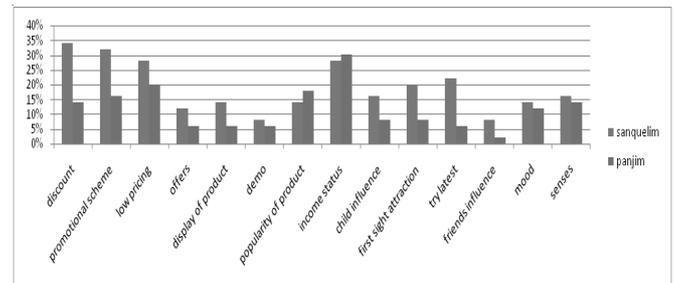
In above chart we can see that in Sanquelim and Panjim most of the consumers do not follow the list. But when compared to Sanquelim consumers we can see that more of Panjim consumers follow their list of shopping. That means in Panjim as it is a city people don't have much time to buy out of the list.



By looking at above chart in Sanquelim we can see more of variety oriented customers and in Panjim we can see more of economic oriented customers. In Sanquelim the customers want more of variety so that they can choose the best. Whereas, Panjim customer they are more of economic kind of customer that is they are very conscious

while spending. So, we can conclude that variety oriented customers (Sanquelim) are more prone to impulse buying.

**By considering only strongly agree factor let us see who are more influenced towards impulse buying and which factor has influenced the sanquelim and panjim customers the most:**



As we can see in above bar chart overall the Sanquelim customers are more influenced than Panjim customers. The Sanquelim customers are more influenced by discount, promotional schemes and income status. Panjim customers are more influenced by income status, low pricing and popularity of product.

### CONCLUSION

From the analysis it can be concluded that the consumers of Goa (Panjim and Sanquelim) do influence by most of the factors of impulse buying. This is because impulse buying happens when one gets caught up in the hype of a situation and buys something without thinking much about it. Research findings suggest that emotions and feelings play a decisive role in purchasing (Verma Priyanka and Verma Rooble,2012).

Sanquelim customers are more influenced by the factors of impulse buying than the panjim customers. Most of the Sanquelim consumers buy impulsive items because the consumers in panjim are economic oriented where as in sanquelim the consumers are variety oriented. When the consumers are more of variety oriented they tend to get confused and tempted when they have a large variety of goods and they end up doing impulse buying.

The customers behave differently under various age categories with low pricing, under different occupation with senses and under type of customers with discount in sanquelim area. Whereas, in Panjim, customers behave differently under occupation with income status and customer type with promotion, offers and popularity of product. Asim Ali (2013) investigates relationship between

impulse buying and consumers characteristics which include consumers age, gender, income, geographical orientation and cultural orientation. Gender, age and income show expected relationship, while geographical orientation expresses no association with impulse buying actions among consumers. Cultural orientation of consumers shows a relationship with impulse buying but is not significant.

The impulse buying behavior has influence because of the strategies used by the retail stores. According to Vidhya and Tamizhthy(2014) impulse purchasing is a common phenomenon in the modern marketing world. Consumers are classified as many types according to their decision making styles. Now, the producers and marketers turn to induce the consumers to make impulse buying. Results of the marketing strategies and promotional methods, they try to change the consumer decision making style through impulse buying.

The most effective area where the strategy is used is pricing and promotional strategy. Verma Priyanka and Verma Rooble (2012) stated that, "Impulse items may be new products, samples or well-established products at unexpected low prices." Producers and marketers tend to motivate consumers' intention to buy impulsively through various Promotional methods and marketing strategies. (J. Vidhya & Dr. K. Tamizhthy,2014).

Atmosphere of the store and offers given by retailers plays a very important role encouraging the consumers to do impulse buying. Our results are inconformity with Ahsan Azim (2013) that more deal-prone and exploratory behavior peoples, at the presence of good dynamic store environment, will make more impulse purchases. Finding suggest that in order to increase the impulse buying behavior of the peoples, retailers have to give a good atmosphere to their customers inside the store; and must know about the different customers' tendency towards the sales promotions, to fully apply their activities/efforts on the right customers.

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# Contribution of Agricultural Sector in the Economic Development of the Country: An Overview

Ravi Kant Modi

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## ABSTRACT

*A moment comes, rarely in history, when step out from the old to the new, when an age ends, and when the soul of a nation, long suppressed, finds utterance. Trade is an engine of economic development. The establishment of WTO is an important landmark in the history of international trade. When developing countries were liberalizing their economies, they felt the need for better export opportunities. The WTO provides opportunities for countries to grow and realize their export potentials, with appropriate domestic policies in place. India will be able to expand its exports of agricultural products in which it has tremendous comparative advantage. The provisions of WTO offered ample opportunities to India to expand its export market. The agricultural products from India can be made competitive in international market and the prices of agricultural goods in the domestic market can be improved by taking serious steps of reform. This research paper will help to understand the present scenario in respect of contribution of agricultural sector in the economic development of the country. It will explore new outcomes of the study for future development in Indian agriculture.*

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## INTRODUCTION

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). As per estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) was 15.35 per cent of the Gross Value Added (GVA) during 2015-16 at 2011-12 prices.

India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world. India's horticulture output, comprising fruits, vegetables and spices in the year 2014-15 has grown to a record high of 283.5 million tonnes (MT). It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's Export and is the fourth-largest exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains. The Department of Agriculture and Cooperation under the Ministry of Agriculture is responsible for the development of the agriculture sector in India. It manages several other bodies, such as the National Dairy Development Board (NDDB), to develop other allied agricultural sectors.

## GOVERNMENT INITIATIVES FOR INDIAN AGRICULTURE

Given the importance of the agriculture sector, the Government of India, in its Budget 2016-17, planned several steps for the sustainable development of agriculture. Budget 2016-17 proposed a slew of measures to improve agriculture and increase farmers' welfare such as 2.85 million hectares to be brought under irrigation, ' 287,000 crores

### Key words

Agriculture Sector,  
Economic Development,  
GVA, Post Harvest  
Management, WTO.

(US \$ 42.11 billion) grant in aid to be given to gram panchayats and municipalities and 100 per cent village electrification targeted by May 01, 2018. The government has already taken steps to address two major factors (soil and water) critical to improve agriculture production. Steps have been taken to improve soil fertility on a sustainable basis through the soil health card scheme and to support the organic farming scheme 'Paramparagat Krishi Vikas Yojana'. Other steps include improved access to irrigation through 'Pradhanmantri Gram Sinchai Yojana'; enhanced water efficiency through 'Per Drop More Crop'; continued support to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the creation of a unified national agriculture market to boost the incomes of farmers.

The Government of India recognizes the importance of micro irrigation, watershed development and 'Pradhan Mantri Krishi Sinchai Yojana'; thus, it allocated a sum of ` 5,300 crores (US \$ 777.6 million) for it. It urged the states to focus on this key sector. The state governments are compelled to allocate adequate funds to develop the agriculture sector, take measures to achieve the targeted agricultural growth rate and address the problems of farmers. The Department of Agriculture and Cooperation under the Ministry of Agriculture has inked MOUs/ agreements with fifty two countries including the US. In addition, the Department of Agriculture Research & Education (DARE) and the Department of Animal Husbandry, Dairying & Fisheries (DAHD & F) under the Ministry of Agriculture have signed MOUs/ agreements with other countries, taking the number of partnerships with other countries to sixty three. These agreements would provide better agricultural facilities in areas such as research and development, capacity building, germ plasma exchange, post harvest management, value addition/ food processing, plant protection, animal husbandry, dairy and fisheries. The agreements could help enhance bilateral trade as well.

Given the correlation between improvement in agriculture and the development of the country, the Government of India adopted several initiatives and programmes to ensure continuous growth. It allocated ` 25,000 crore (US\$ 3.67 billion) for the Rural Infrastructure Development Fund (RIFD), ` 1,500 crore (US\$ 220 million) for the long-term rural credit fund, ` 45,000 crore (US\$ 6.60 billion) for the short-term cooperative rural credit finance fund and ` 25,000 crore (US\$ 3.67 billion) for the short-term Regional rural bank (RRB) refinance fund. It also marked an ambitious target of ` 8.5 lakh crore (US\$ 124.71 billion) of

agriculture credit during 2015-16. Some of the recent major government initiatives in the sector are as follows:

- Prime Minister Mr. Narendra Modi has unveiled the operational guidelines for the Pradhan Mantri Fasal Bima Yojana which aims to provide farmers with crop insurance as well as.
- The Cabinet Committee on Economic Affairs (CCEA) has approved 'Blue Revolution', an umbrella scheme for integrated development and management of fisheries by Government of India, with total financial outlay of ` 3,000 crore (US\$ 440.15 million) for a period of five years.
- Mr. Piyush Goyal, Minister of Power, Coal, New and Renewable Energy has announced that government's plans to invest ` 75,000 crore (US\$ 11.08 billion) in an energy-efficient irrigation scheme over the next three to four years.
- The new crop insurance scheme for farmers 'Bhartiya Krishi Bima Yojana' aims to cover 50 per cent of the farmers under the scheme in the next two-three years,
- India and Lithuania have agreed to intensify agricultural cooperation, especially in sectors like food and dairy processing.
- Gujarat Government has planned to connect twenty six Agricultural Produce Market Committees (APMCs) via electronic market platform, under the National Agriculture Market (NAM) initiative.
- The State Government of Telangana plans to spend ` 81,000 crore (US\$ 11.88 billion) over the next three years to complete ongoing irrigation projects and also undertake two new projects for lifting water from the Godavari and Krishna river.

The National Dairy Development Board (NDDB) announced 42 dairy projects with a financial outlay of ` 221 crore (US\$ 32.42 million) to boost milk output and increase per animal production of milk.

## **RATIONALE AND SCOPE OF THE STUDY**

After being virtually neglected through decades of rapid trade liberalization, agricultural Policy- market access, domestic support, and export subsidies – has become the most contentious topic in trade negotiations. In fact, the lack of progress in agriculture reform has led to several

missed deadlines in the latest round of negotiations promoted by the World Trade Organization (WTO), putting at risk the Doha Development Agenda (Cline, 2004; WTO, 2004). The controversial, issues often oppose industrial countries, notably the United States and members of the European Union, and developing nations, led by Brazil, India, and China, with the latter group claiming that tariffs, non tariff barriers, and subsidies give an unfair advantage to farmers in industrialized countries.

Proposed study will make an attempt to investigate the determinants of agricultural trade of India. There would be an attempt to analyze various agro-trade related negotiations in various summits of WTO and further their implications to the agricultural sector of India. The Government of India had been constantly putting efforts for the agricultural reforms and apart from implementing tariff barriers; it had been offering various subsidies to safeguard its farmers especially in the post WTO period. This study therefore, would also look into the steps taken by the Govt. and would analyze their compatibility to match the global competition. Further, the overall impact of WTO on Indian agriculture would be evaluated by identifying its contribution in the economic development of India, especially in the post WTO period.

The study will be useful to the following parties:

- Government
- Reserve Bank of India
- All Commercial Banks
- Researchers
- Teachers
- Research Students

## REVIEW OF LITERATURE

Review of literature is a view or search on a subject with the help of published data. It gives an idea to reader about the work done on the subject and what new things can be done with that. Analysis of a problem and its outcome gives an insight about the subject. Articles used in this review are from professional journals so that one can rely or trust that author and conclusion should be appropriate also. Literature review means studying the subject with relevant information about the subject area. It increases knowledge and widens thinking about that subject. This is based on secondary data and not related to new experiments or original data.

India is a founder Member of GATT and WTO. Over the years, Indian negotiators have played a prominent role in

converting the contours of the multilateral business system as it operates today. It is equally sensitive in the Indian context. In today's business world, approximately 69 per cent of Indian people are based on agriculture.

Based on some of the available literature, a brief description of the impact of WTO on Indian agriculture has been explained. These studies reviewed in the present chapter is devoted some headings like General WTO, AoA, TRIPS, SPS and TBT, Indian foreign trade in Agricultural trade and food security.

**Rajesh Chadha, (2000)** It highlights that the Indian economy has experienced a major transformation during the decade of the 1990s. Apart from the impact of various unilateral economic reforms undertaken since 1991, the economy also had to reorient itself to the changing multilateral trade discipline within the newly written GATT/WTO framework. The unilateral trade policy measures have encompassed exchange-rate policy, foreign investment, external borrowing, import licensing, custom tariffs, and export subsidies. The multilateral aspect of India's trade policy refers to India's WTO commitments regarding trade in goods and services, trade-related investment measures, and intellectual property rights. The present study analyzes the economic effects on India and other major trading countries/regions of the Uruguay Round (UR) trade liberalization - and the liberalization that might be undertaken in a new WTO negotiating round. India's welfare gain is expected to be 1.1% (\$4.7 billion over its 2005 GDP) when the UR scenarios get fully implemented. The additional welfare gain is an estimated 2.7% (\$11.4 billion) when the assumed future WTO round of multilateral trade liberalization is achieved. Resources would be allocated in India to the labor-intensive sectors such as textiles, clothing, leather and leather products, and food, beverages, and tobacco. These sectors would also experience growth in output and exports. Real returns to both labor and capital would increase in the economy. The scale effect (per cent change in output per firm) is positive for all the ten sectors of manufacturing, indicating that Indian firms become more efficient than before. Finally, even if India undertakes unilateral trade liberalization of the order- indicated in the WTO multilateral scenarios, it would still benefit, although less so than with multilateral liberalization.

**Satish Y. Deodhar, (2006)** Formation of the World Trade Organization (WTO) in January 1, 1995 as a successor organization for the General Agreement of Tariff and Trade (GATT) was a watershed event in the history of global

trade reforms. Under the auspices of the WTO, many trade-related agreements were signed by the member countries (WTO 1995), and, for the first time, an Agreement on Agriculture (AOA) was reached to reform and dismantle trade barriers in the agricultural sector. As per the article 20 of the AOA, these reforms are an ongoing process and re-negotiations will start at the end of this year. These re-negotiations will take stock of the experience of the last five years and explore the potential for further Commitments to the reform process. Recently, a WTO panel has ruled against India in a dispute with the United States (US) rejecting India's claim that balance of payment problem Justifies its import restrictions (ITN, 1999). In this context, it is imperative that India takes a retrospective view of what has happened so far and ponder over her prospects for successful and pro-active re-negotiations at the end of this year.

**Navjit Singh (2011)** observed in his study **Indian Agriculture: Before and after Economic Reforms** that the share of agro goods in India's global export has declined during this period. During post WTO period, agricultural subsidies of developed countries have been rather increased. Therefore it is very difficult for India to face global agricultural competitiveness. In this scenario, the global agricultural trade would likely to become oligopolistic. The returns of various crops have declined due to increase in cost of production, slow growth of agricultural productivity, weak marketing mechanism, increase in input intensity and fall of water table. As a result farmers have become highly indebted and are resorting to suicides. In the near future also the total quantum of exports particularly agriculture and light manufacturing goods cannot be raised significantly in the global market in the near future because of limited and uncertain domestic export surplus and particularly their inelastic demand at world market.

**Sanmeet Kour & Priyanka Bhau (2013)** observed in his study **Impacts of WTO on Indian Agriculture** that the growth of India's agricultural imports was more than exports during post WTO period. This has adversely affected self-reliance in agriculture. In recent development, India and other developing countries which have formed a group of 20 called G-20, demanded substantial reduction in tariffs, elimination of trade-distorting domestic support and export subsidies to agriculture by developed countries. Good governance in agriculture is needed to meet risks, uncertainties and challenges and avoid further crises. Developed countries must look beyond their own interests

and bring in agreement that is just and fair to the developing countries and ensure empowerment, efficiency and equity in the agriculture sector of the world.

**Biswajit Dhar (2014)** observed in his study **Agriculture and the WTO: An Indian Perspective** that that agriculture negotiations in the WTO are far from reaching a phase when the modalities for further commitments can be given a final shape. While the G-20 has been arguing strongly in support of a parallelism between subsidies and tariffs, indicating thereby that progress on tariff reduction can only be made if there is a substantial commitment from the large subsidy-granting countries to rein in their subsidies, the latter have not been quite as keen to accept additional disciplines on subsidies. The experience of implementation of the AoA, described in an earlier section, does support the view that the developing countries have taken in the negotiations.

**Pooja Rani (2015)** observed in his study **A Study of WTO and Agriculture Sector in India** that after WTO, the agriculture sector playing a significant role in employment generation. After WTO export rate and Production Rate of Agriculture Sector are also increasing in India. Because, after WTO new technique and better quality product are available in India. But share of agriculture sector in total share after WTO is decreasing time to time in India. For the improvement of export commodities is need national common market for farm goods and law amendment for trading in some agriculture commodities. The agriculture sector in India is expected to generate better momentum in the next few years due to raised investments in agricultural infrastructure such as irrigation facilities, warehousing and cold storage. Factors such as reduced transaction costs and time, improved port gate management and better fiscal incentives would contribute to the sector's growth. Furthermore, the growing use of genetically modified crops will likely improve the yield for Indian farmers.

## **OBJECTIVES OF THE STUDY**

Followings are the main objectives of the study:

1. To study the role of Indian agriculture in global perspectives.
2. To identify the factors of WTO for Indian agriculture Import and Export.
3. To study the factors of WTO for Indian agriculture.

4. To study the impact of WTO on agriculture Import and Export.
5. To study the relationship between WTO and Indian agriculture.

**H<sub>11</sub>** : There is an impact of WTO on Indian agriculture.

**H<sub>12</sub>** : There is an impact of WTO on Indian agriculture Export.

**H<sub>13</sub>** : There is an impact of WTO on Indian agriculture Import.

### HYPOTHESES OF THE STUDY

Hypothesis is usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. In fact, many experiments are carried out with the deliberate object of testing hypothesis Ordinarily, when one talks about hypothesis, one simply means a mere assumption or some supposition to be proved or disproved. Nut for a researcher, hypothesis is a formal question that he intends to resolve. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates an independent variable to some dependent variable.

The null hypothesis and the alternative hypothesis are chosen before the sample is drawn (the researcher must avoid the error of deriving hypotheses from the data that he collects and then testing the hypotheses from the same data). In the choice of null hypothesis, the following considerations are usually kept in view:

- (a) Alternative hypothesis is usually the one which one wishes to prove and the null hypothesis is the one which one wishes to disprove. Thus, a null hypothesis represents the hypothesis we are trying to reject, and alternative hypothesis represents all other possibilities.
- (b) If the rejection of a certain hypothesis when it is actually true involves great risk, it is taken as null hypothesis because then the probability of rejecting it when it is true is which is chosen very small.
- (c) Null hypothesis should always be specific hypothesis i.e., it should not state about or approximately a certain value.

Thus, following are the main hypotheses of the study:

**H<sub>01</sub>** : There is no impact of WTO on Indian agriculture.

**H<sub>02</sub>** : There is no impact of WTO on Indian Agriculture Export.

**H<sub>03</sub>** : There is no impact of WTO on Indian Agriculture Import.

### DATA COLLECTION

The data has been collected as under:

1. **Primary Source:** The primary data has been collected through personal contact with heads of certain officers of the agriculture departments.
2. **Secondary Source:** The secondary source has been the present annual accounts, administrative reports and articles published in various journals besides this data has been collected from WTO statistical departments and reports prepared by unit of the study for meaningful analysis facts will be collected from the sources other than the above. Apart from this the various reports, magazines, newspapers have been utilized for useful data. Also, various websites of the related authority such as agriculture ministry, commerce ministry and WTO have also been used.

### RESEARCH METHODOLOGY

Research is an endless process to acquire knowledge for different knowledge based future outcomes. New concepts are developed with the help of existing information from journals, books, articles, magazines and internet. New understandings can be made out of relevant data and present study. Doubts lead to inquiry and inquiry leads search or investigation. Research is a voyage of discovering new ideas and concepts to verify knowledge in any branch. Research is to find new answers to questions through scientific methods.

As per the Advanced Learner Dictionary's of Current English "A careful investigation or inquiry especially through search for new facts in any knowledge branch is research"

### TOOLS AND TECHNIQUES OF THE STUDY

Following tools has been used in the study:

- Statistical averages;

- Index number;
- Rank Analysis; and
- Diagrams, graphs, percentages.

**CONTRIBUTION OF AGRICULTURAL SECTOR IN THE ECONOMIC DEVELOPMENT OF THE COUNTRY**

- The correlation analysis of import and export from 2010-11 to 2014-15 is shown in the following table:

**Correlation Analysis of Import and Export (From the Year 2010-11 to 2014-15)**

		Year	Import	Export	Variables
Year	Pearson Correlation	1	.082	.089	0.000
	Sig. (2-tailed)		.640	.611	1.000
	N	35	35	35	35
Import	Pearson Correlation	.082	1	.663**	.456**
	Sig. (2-tailed)	.640		.000	.006
	N	35	35	35	35
Export	Pearson Correlation	.089	.663**	1	.846**
	Sig. (2-tailed)	.611	.000		.000
	N	35	35	35	35
Variables	Pearson Correlation	0.000	.456**	.846**	1
	Sig. (2-tailed)	1.000	.006	.000	
	N	35	35	35	35

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

**INTERPRETATION**

It is clear from the above table that there is a positive correlation between import and export of agriculture in India. This positive correlation may results of policies and plans of WTO regarding agriculture development in India. The year-wise value of correlation with import is 0.082 while correlation with export is 0.0.89. This positive correlation shows impact of WTO policies for agriculture development in India. On the other hand, correlation of import to export is 0.663 and with the factors the correlation is 0.456 which results the effects of policies of WTO.

Thus, on the basis of above it can be concluded that the positive correlation shows the positive impact of WTO on Indian agriculture. This positive correlation shows that the import and export are more as compare to previous

policies and plans of Indian agriculture. It shows that the WTO is doing positive initiatives for agriculture sector in India.

**HYPOTHESES TESTING**

- H<sub>01</sub> : There is no impact of WTO on Indian agriculture.
- H<sub>02</sub> : There is no impact of WTO on Indian Agriculture Export.
- H<sub>03</sub> : There is no impact of WTO on Indian Agriculture Import.
- H<sub>11</sub> : There is an impact of WTO on Indian agriculture.
- H<sub>12</sub> : There is an impact of WTO on Indian agriculture Export.
- H<sub>13</sub> : There is an impact of WTO on Indian agriculture Import.

**Correlation Analysis of Import and Export (For the Year 2010-11 to 2014-15)**

Variables	Value	d.f.	Asymp. Sign. (2-sided)	Decision
Floriculture	20.00	16	.0.220	Rejected
Fresh Fruits	20.00	16	0.220	Rejected
Fresh Vegetables	20.00	16	0.220	Rejected
Processed Fruits and Vegetables	20.00	16	0.220	Rejected
Animal Products	20.00	16	0.220	Rejected
Other Processed Foods	20.00	16	0.220	Rejected
Cereals	20.00	16	0.220	Rejected

**Chi-square Test**

Factor	Value	d.f.	Asymp. Sig.
Pearson Chi-Square	140.000 <sup>a</sup>	136	.390
Likelihood Ratio	112.661	136	.928
Linear-by-Linear Association	.229	1	.633
N of Valid Cases	35		

• 175 cells (100.0%) have expected count less than 5. The minimum expected count is .20.

**INTERPRETATION**

It is clear from the above table that the value of Pearson Chi-square is 140.00; p value is 0.390 which indicated that the null hypothesis is rejected hence there is an impact of WTO on Indian agriculture in India.

## CONCLUSION

On the basis of econometric and non-econometric analysis of the study shows the impact of the WTO on agriculture of India. The India has mixed results. The WTO has affected the agriculture trade slightly positively, but not as expected. The conclusion of the study is summarized below:

- The trade volume of India was increasing after the WTO implementation, though not at so good rate as compared to world trade. This is due to the new challenges faced by Indian economy imposed by WTO.
- The trade volume of India was rising before the WTO. The country has not only maintained the trend but rate of growth in also increased. India is the only country in the current analysis, who has gained advantage of the WTO in the perspectives of international trade.
- The ratio of industrial sector in GDP is not significant but has positive impact on international trade of India. The industrial sector in GDP after WTO have predicted positive value, but not significant.
- The rate of increase in imports of India is less than rate of increase in exports even after the WTO, which shows that India still face the deficits in their balance of trades.
- The effect of agriculture sector is negatively affecting the international trade of India because the WTO caused serious concern to the performance of agriculture sector and food security. The negative effect of agriculture sector remained continue even after WTO.
- It is evident that within ten years after the WTO, there remained higher growth rate of imports as compared to exports.
- India's GDP is also significant t-value but the coefficient is negative which would indicate that the negative effect.
- For India, both the growth rate of exports and imports has risen after the WTO. The contribution of industrial sector to the nation's international trade has been increased after the WTO.

Thus, WTO has been playing a very important role in India's foreign trade. It needs further research to see why India has not benefited from the WTO as per expectation while the major speculated beneficiaries of the WTO were the developing countries.

As concerned the econometric results, we have to wait for some years to have the robust results about the impact of different variables on international trade of the nations before and after WTO. It is suggested that being a member of the WTO, India enjoys the most-favored nation status instead of accepting the agreements which are against the national interest. Scope of the above studies is restricted factors and it has not covered the other implications of the WTO. The other implications of WTO which are concerned with India must be study for research. However as mentioned in the above analysis there is serious and urgent need to re-analyze the policy followed by India in the context of increasing competition and openness at global level.

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# Role of Information Technology in the Development of Mahila Urban Co-Operative Banks in Rajasthan

Ashok Nagar & Lokesh Mali

## ABSTRACT

Today's world is Information Technology (IT) world. Today life is passing through the era of IT. The IT must be an important part of our life and organization and business strategy. Today most of the banking happens while you are sipping coffee or taking an important call. ATMs are at your doorstep. Banking services are accessible 24x7. A huge part of this change is due to advent of IT. Banks today operate in a highly globalized, liberalized, privatized and a competitive environment. In order to survive in this environment banks have to use IT. The study reveals that role of information technology in the development of Mahila Urban Co-Operative banks of Rajasthan .IT playing very important role in the development of Mahila Urban Co-Operative banks of Rajasthan .Many banks are exists in the Rajasthan regarding access to information technology. Information Technology is the contentment associated with development of Mahila Urban Co-Operative banks. The competition among the banks has led to the increasing total banking automation in the banking industry,so information technology creates favourable or unfavourable condition for competition with which Mahila Urban Co-Operative banks can develop their work .So this study will focus on that role of information technology in the development of Mahila Urban Co-Operative banks of Rajasthan. The study concludes Information Technology Mahila Urban Co-Operative banks.

## INTRODUCTION

Indian Banking sector has made rapid strides in reforming and align itself to the new competitive business environment .Indian banking industry is the midst of IT revolution. Technology infrastructure has become an indispensable part of the reform process in the banking system, with the gradual development of sophisticate instruments and innovations in market practices.

Indian banking industry, today is in the midst of an IT revolution. The bank which will use the right technology to supply timely information will see productivity increase and thereby will gain a competitive edge . To compete in economy which is opening up, it is imperative for the Indian banks to observe the latest technology and modify to suit their environment. Not only banks need greatly enhanced use of technology to customer friendly, efficient and competitive existing services and business, they also need technology for providing newer products and newer forms of services in an increasingly dynamic and globalized environment information technology offers a chance for banks to build new system that address a wide range of customer needs including many that may not be imaginable today.

Internet Banking (E-Banking): Internet banking or E-Banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking system, the bank has centralized database that is web-enable .All the services that bank has permitted on the internet and displayed in menu. Any service can be selected and further interaction is dictated by the nature of service. The traditional branch model of bank is now giving place to an alternative delivery channels

## Key words

Agriculture Sector,  
Economic Development,  
GVA, Post Harvest  
Management, WTO.

with ATM network. Once the branch offices of bank are interconnected through terrestrial or satellite links, there would be no physical identity for any branch.

### PRESENT SITUATION OF MAHILA URBAN CO-OPERATIVE BANKS OF RAJASTHAN

Mahila Urban Cooperative Banks of Rajasthan are unique financial institutions. Nowhere in the world such exclusive financial institutions of women managed by women for the women exist. The Mahila Urban Cooperative Banks, as the name itself suggests work exclusively for the economic development of women. The objective of Mahila Banks is to promote the women for doing something for women. Women from 50 percent of the population of India though the constitution of India provides for equal opportunities to women, employment opportunities for them are less because of social, physical and biological factors. There is a need for total involvement of women in the process of change at social, political and economic levels. Having been subjected to social and cultural injustice for long, women will first have to be helped to acquire self confidence before they can take on the role of agents of change and it is through their economic empowerment that women can gain self-confidence and become part of mainstream of national development. For promoting self-employment, among women the most crucial requirement is allocation of credit and mahila banks are playing a commendable role in catering to the financial needs of women.

**Table 1 :Location of Mahila Urban Co-operative Banks in Rajasthan**

S.No.	Name of Mahila Urban Co-operative Banks	Place
1.	Bhilwara Mahila Urban Co-operative Banks Ltd.	Bhilwara
2.	Kota Mahila Nagrik Sahakari Bank Ltd.	Kota
3.	Raj lakshami Mahila Urban Co-operative Bank Ltd.	Jaipur
4.	Rajputana Mahila Urban Co-operative Bank Ltd.	Jaipur
5.	Udaipur Mahila Samridhi Urban Co-operative Bank Ltd.	Udaipur
6.	The Udaipur Mahila Urban Co-operative Bank Ltd.	Udaipur

Source: Internet

### NEED OF TECHNOLOGY TRENDS IN MAHILA URBAN CO-OPERATIVE BANKS

IT Considerations Since the early nineties, each Indian bank has done some IT improvement effort. The first and foremost compulsion is the fierce competition. The requirements of the banks are different individually depending upon their nature and volume of business; focus on a particular segment, spread of branches and a like. Many a time's banks do have the required information but it is scattered. The operating units seldom know the purpose of gathering the information by their higher authorities.

As stated earlier the banks have most of the needed data but are distributed. Further the cost of collection of data and putting the same to use is prohibitively high. The accuracy and timeliness of data generation becomes the causalities in the process. Best of the intentions on computerization are wished away because there is nonvisible reduction in cost /efforts/ time required for the required data gathering. Addressing to rising customers expectations is significant particularly in the background of increased competition. In case bank A is unable to provide the required service at a competitive price and in an accurate manner with speed. There is always a bank IT at its next-door waiting to hire the customer. Awareness of customers about the availability of services and their pricing as also available options have brought into sharp focus the issue of customer satisfaction.

### CHALLENGES OF MAHILA URBAN CO-OPERATIVE BANKS FOR NOT-ADOPTING TECHNOLOGY

- High cost of technology
- Limited business operations
- Limited geographical area
- Customer treat services offered by bank as Convenience banking
- Shortage of skilled human resource
- Fear of security threats
- Infrastructural barriers are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.
- Knowledge barriers are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.
- Legal and security issues are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.

- Social and cultural barriers are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.
- Economic factors are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.
- Management and banking issues are one of the challenges for implementation and development of e-banking in Mahila Urban Co-operative Banks.

**OBJECTIVES OF THE RESEARCH**

The proposed study has following objectives:-

1. To study the various factors that influence customers for online banking in Mahila Urban Co-operative Bank.
2. To identify customers’ perception towards online banking in Mahila Urban Co-operative Bank.
3. To find out customers’ satisfaction with online banking in Mahila Urban Co-operative Bank.
4. To study the impact of demographics on customer satisfaction towards online banking in Mahila Urban Co-operative Bank.
5. To suggest measures to improve customer satisfaction towards online banking in Mahila Urban Co-operative Bank.

**STUDY AREA**

Mahila Urban Co-operative 6 banks of 4 districts of Rajasthan is the study area. Rajasthan is multi-linguistic, multi-ethnic, multi-religious and multi-cultural. This diversity makes it more attractive for this research. Besides, the Rajasthan, though big in geographical area, has branches of all leading commercial and private banks.

**RESEARCH METHODOLOGY**

Data collected through structured questionnaire from 281 valid respondents remaining 19 respondents are invalid out of 300 selected from Mahila Urban Co-operative 6 banks of 4 districts.

**ANALYSIS AND INTERPRETATION**

Availability of Information Technology in Mahila Urban Co-operative Banks

Majority of respondents (Percentage=53.20) are satisfied with availability of Information Technology and 39.60% respondents are highly satisfied. 4% respondents are neither satisfied nor dissatisfied while 3.20% respondents are dissatisfied with the availability of E-banking. The average score (2.412) has projected high satisfaction of respondents.

**Table 1: Availability of Information Technology**

Response	N	Percentage
Highly Dissatisfied	0	0.00%
Dissatisfied	9	3.20%
Neutral	12	4.00%
Satisfied	149	53.20%
Highly Satisfied	111	39.60%
<b>Total</b>	<b>281</b>	<b>100.00</b>
<b>Mean Score</b>	2.412	
<b>Standard Deviation</b>	0.389	
<b>Result</b>	<b>Highly Satisfied</b>	

Source: Statical Analysis

**DEGREE OF EXPECTATION FULFILLED IN MAHILA URBAN CO-OPERATIVE BANKS**

Every customer have some pre expectation so respondents were asked that does Mahila Urban Co-operative Banks fulfill their expectations and results received are presented in table 4.7.2. The average score is received as 1.716 which projects that respondents don’t have any clear opinion on this issue.

**Table 2: Degree of Expectation fulfilled in Mahila Urban Co-operative Banks**

Response	N	Percentage
Much More than Expected	55	19.40
Equal to Expectations	21	7.40
Cant Say	100	35.80
Less than Expectations	66	23.20
Much Less than Expected	41	14.20
<b>Total</b>	<b>281</b>	<b>100.00</b>
<b>Mean Score</b>	1.716	
<b>Standard Deviation</b>	0.722	
<b>Result</b>	<b>Cant Say</b>	

Source: Statical Analysis

**ITS EASY TO ONLINE BANKING WITH MAHILA URBAN CO-OPERATIVE BANKS**

Maximum numbers of respondents are having this opinion that it is easy to online banking with Mahila Urban Co-operative Banks while only 20.80% respondents denied this statement. The average score of 1.637 projects that respondents find it easy to online banking with Mahila Urban Co-operative Banks.

**Table 3: Its easy to online banking with Mahila Urban Co-operative Banks**

Response	N	Percentage
Extremely True	77	27.60
Very Much True	36	12.80
True	60	21.00
Slightly True	50	17.80
Not at all True	58	20.80
<b>Total</b>	<b>281</b>	<b>100.00</b>
<b>Mean Score</b>	1.637	
<b>Standard Deviation</b>	0.840	
<b>Result</b>	<b>True</b>	

Source: Statical Analysis

**OVERALL SATISFACTION**

Respondents were asked to indicate their overall satisfaction with Mahila Urban Co-operative Banks online banking and results received are presented in table 4.6.15. Majority of respondents (Percentage=66.20) are satisfied with Mahila Urban Co-operative Banks online banking, followed by 15.60% respondents who are neither satisfied nor dissatisfied. 14% respondents are highly satisfied with Mahila Urban Co-operative Banks online banking. while 4.20% respondents are dissatisfied. The average score of 2.179 along with S.D. 0.420 projects that respondents are satisfied with Mahila Urban Co-operative Banks online banking.

**Table 4: Overall Satisfaction**

Response	N	Percentage
Highly Dissatisfied	6	2.20
Dissatisfied	5	2.00
Neutral	44	15.60
Satisfied	186	66.20
Highly Satisfied	40	14.00
<b>Total</b>	<b>281</b>	<b>100.00</b>
<b>Mean Score</b>	2.179	
<b>Standard Deviation</b>	0.420	
<b>Result</b>	<b>Satisfied</b>	

Source: Statical Analysis

**FINDINGS OF THE STUDY**

This study provides an overview of the issues resulting from the development of Mahila Urban Co-operative Banks by e-banking, to describe the current state of e-banking in India. Also, various psychological and behavioral issues such as trust, security of internet transactions, reluctance to change, various level of satisfaction such as service oriented, technology oriented, technology oriented etc, expectations of the clients and bankers regarding e-banking technology and preference for human interface which appear to impede the growth of e-banking with special reference to Mahila Urban Co-operative Banks operating in Rajasthan

**SUGGESTIONS**

Mahila Urban Co-operative Banks should focus on improving their marketing and sales strategies to pull more customers into online banking. Because it is the most effective way to fulfill customer satisfaction dimensions. The firms need to place a clearly defined service policy for the customer on the online banking that could help save time and effort in the long time. Moreover a complete and approachable way of delivering knowledge to customers will help to make customer more confident about the given product and service. A proper channel and easy way of services and products could increase customer trust and keeping the existing customer loyal but also create a good thought process that will grab the attention of new customers in long run. Due to the changing economic scenario in the globalization era and due to the improvement and advancement in science and technology new products with more utility values keep coming to the market. In order to attract the consumers the Mahila Urban Co-operative Banks should improve the quality of online banking.

**CONCLUSION**

No doubt, Information Technology has been effectively contributing to Banks, But not in Mahila urban co-operative Banks significantly to their development in terms of getting funds for business, women empowerment and also for consumption purpose. The study found Mahila urban co-operative Banks not using Information Technology properly as compare to other banks. Maximum number of the woman having saving bank accounts in commercial banks and private banks .Awareness regarding Information Technology services being provided by the Mahila urban co-operative Banks is minimum. The dissatisfaction from various service activities followed by Mahila urban co-operative Banks such as requirement of Information Technology. Inconvenient procedural formalities, and difficult service terms is also one of the major reasons for a significant proportion of the women to prefer other sources of banking. The Mahila urban co-operative Banks should introduce some proactive strategies primarily aiming at spreading more awareness of the Information Technology services available with the banks and encouraging the use of such services. Mahila urban co-operative Banks need to be regulated and supervised in order to keep them actively engaged in the Information Technology. Moreover the banks should make provision of more services under the Information

Technology as per the requirements of Mahila urban co-operative Banks. Mahila urban co-operative Banks should be encouraged to take up Information Technology activities by giving them proper guidance and developing their business skills. Mahila urban co-operative Banks to a great extent depends upon the Information Technology system. Information Technology of Mahila urban co-operative Banks can prove to be a very powerful instrument.

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# Managing Stress Among Working Women in Banking Sector in Uttar Pradesh: A Study of Allahabad District

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## ABSTRACT

Women's exposure to educational opportunities is significantly higher than it was some years ago, especially in the cities. The present study identifies socio-economic stressors, psychological and family and relationship stressors causing stress among working women and strategies to cope up with it, though the study was conducted among working women in bank employees in Allahabad district of Uttar Pradesh. A sample of 95 respondents were chosen on the basis of stratified Random sampling. The statistical tools like percentage, mean, standard deviation, Chi square test are being applied in order to test the duly formulated hypothesis. This research study suggested few time management tips to avoid stress viz, balanced schedule, no over commitment, priorities task, breaking projects into small steps and delegating task. This study formulated "flight" strategy to cope the stress management.

## INTRODUCTION

Modern living has brought with it number of comforts but also a variety of demand that tax human body and mind. In the present scenario one of the common terms that penetrates the society is stress. Not only high level executive are its key victim but also people working in various organizations and at different levels are prone to stress. The speed at which the changes are taking place in the world is breathe taking and hence no individual is free from stress. Thus in modern times stress in general and stress in particular has become a part in life. In recent years. Stress is a subject which is difficult to avoid/. Stress not only effects the physical health but also mental being also. Stress refer to any environmental, organizational and individual or internal demand which require the individual to readjust the usual behavioral pattern. The degree of stress result from event or situation that have a potential to cause change

Stress Management is more important now-a-days in the service, financial and banking. There is no such thing like stress free job. Everyone in their work is exposed to tension and anxiety as they gets through the duties assigned to them. Banking industry plays important role in the developing the country's economy is not an exceptional one. The job nature of banking employees is very tedious as it involves the direct customer interaction in all levels.

The word "stress" is in such popular use today that it has come to mean different things to different people. It is said that competition is too much "stress" to hassle with, that one works in a "high stress" environment or that technology stresses us out. Stress, an integral part of the human existence have an immense influence over the lives of individuals and the organization. As individuals spend most of their time at work, the work place has been conceived to be a potent contributor and influencer of stress. The stress induced due to roles performed by individuals as employees at work place, has been one of the most persuasive organizational stressors, the outcomes of which have been found to be costly to the organization. The public sector commercial banks have also witnessed relatively lack of efforts to analyze the role stress phenomenon

## Key words

Coping, Occupational stress, stress stressors

exhaustively. The stress induced by the role of performed by the front line employees of commercial banks is a matter of worth attention too, as it is emphasized that role stress occurs in employees jobs that involve direct interaction with customers and such employees are prone to relatively greater level of role stress.

Selye<sup>1</sup> defines stress as a dynamic condition in which an "individual is confronted with an opportunity, constraint, or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important. Work stress is found in all professions, the very affected are the professionals who are highly target driven, highly pressured on results, and are squeezed both physically and mentally to the maximum on their roles and loads. Stress is manifested in various ways and means, and the much prone sector is the banking sector, which has turned upside down only their working hours, but also their biological system, which affects at three different levels viz., individual, interpersonal and organizational level. It becomes the vital role of the management to take care of the employees health rather providing only the monetary benefits, which is not so in practice of the fullest.

Stress refers to the strain from the conflict between our external environment and the individual, leading to emotional and physical pressure. There is both positive and negative stress, depending on each individual's unique perception of the tension between the two forces. Stress bears deliberating effects on both the employees and the employer. Workplace stress is the harmful physical and emotional response that occurs when there is a poor match between job demands and the capabilities, resources, or needs of the worker. Stress has often been misunderstood to be negative, with few people acknowledging the importance and usefulness of positive stress. In our everyday lives, stress is everywhere and definitely unavoidable; hence our emphasis should be on differentiating between what is good stress, and what is bad.

### **OCCUPATIONAL STRESS**

Stress related with a job or occupation is called occupational stress. Stress is a universal phenomenon, excess of which results in intense and distressing experience. Occupational stress refers to a situation where occupation related factors interact with employee to change i.e. disrupts or enhance his / her psychological and or physiological conditions such that the person is forced to deviate from normal functioning. Occupational stress is

generally defined in terms of relationship between a person and his environment. There is potential for stress when an environmental situation is perceived as presenting demand which threatens to exceed the person's capabilities and resources for meeting it. Every occupation has some stress, which may differ in its degree.

### **WORKPLACE STRESS**

Workplace stress is the harmful physical and emotional response that occurs when there is a poor match between job demands and the capabilities, resources, or needs of the worker. These conditions may lead to poor work performance or even injury. Job stress is also associated with various biological reactions that may lead ultimately to compromised health. Stress is a prevalent and costly problem in today's workplace. Well-designed, organized and managed work is good for us but when insufficient attention to job design, work organization and management has taken place, it can result in work related stress. Work related stress develops because a person is unable to cope with the demands being placed on them. Stress, including work related stress, can be a significant cause of illness and is known to be linked with high levels of sickness absence, staff turnover and other issues such as more errors. Stress can hit anyone at any level of the business and recent research shows that work related stress is widespread and is not confined to particular sectors, jobs or industries. That is why a population-wide approach is necessary to tackle it.

### **SYMPTOMS OF STRESS**

Our economy has shown growth in almost all sectors, but stress has also joined hands with this growth. Individuals under stress are experiencing various psychosomatic and psychological disorders, the feelings of frustration, dissatisfaction with life in general. Absenteeism, escaping from work responsibilities, arriving late, leaving early, etc., deterioration in work performance, more of error prone work, memory loss, etc., cribbing, over-reacting, arguing, getting irritated, anxiety, etc., deteriorating health, more of accidents, etc. improper eating habits, excessive smoking and drinking, sleeplessness, etc.

### **SOURCES/CAUSES OF STRESS**

1. **Organizational factors:** Discrimination in pay/ salary structure, strict rules and regulations, Ineffective communication, Peer pressure, Goals

conflicts / goals ambiguity, more of centralized and formal organization structure, Less promotional opportunities, Lack of employees participation in decision-making, Excessive control over the employees by the managers.

2. **Individual factors:** There are various expectations which the family members peer, superior and subordinates have from the employee. Failure to understand such expectations or to convey such expectations lead to role ambiguity / role conflict which in turn causes employee stress.
3. **Job concerning factors:** Monotonous nature of job, Unsafe and unhealthy working conditions, Lack of confidentiality, Crowding, Extra-organizational factors. In today's modern and technology savvy world, stress has increased. Inflation, Technological change, Social responsibilities and rapid social changes are other extra-organizational factors causing stress.

## STRESSORS

Competition, restructuring and expansion are an inevitable part of every growing industry. Banking sector is no exception. There are numerous factors which cause stress among employees like role conflict, uncertainty, insecurity, fears concerning job loss, job changes, compensation, role ambiguity, changes in power, status, prestige, workload, long working hours, technological problem at work, inadequate salary, time for family, job worries at home group, differences and communication. There exists a significant relationship between all these factors and job stress.

## STRESS MANAGEMENT

Stress management is the need of the hour. However hard we try to go beyond a stress situation, life seems to find new ways of stressing us out and plaguing us with anxiety attacks. Moreover, be it our anxiety, mind-body exhaustion or our erring attitudes, we tend to overlook causes of stress and the conditions triggered by those. In such unsettling moments we often forget that stressors, if not escapable, are fairly manageable and treatable.

Every responds to stress in a different way, it is only by understanding the nature of individual responses that you can start fighting stress yourself and others. Reduction or elimination of stress is necessary for psychological and physical wellbeing of an individual. Efficiency in stress

management enables the individual to deal or cope with the stressful situations instead of avoidance. Strategies like time management, body-mind and mind-body relaxation exercise, seeking social support help individual improve their physical and mental resources to deal with stress successfully.

The implementation of modern technology in banking sector has not only provided quality service to the consumer but it has improved the performance of the employee at all levels. With the increasing no of consumers and downsizing of the manpower there is pressure on the employee which creates stress. Under stress there is lack of technical competence and skill which makes the employee to perform at full capacity, thus leading to less productivity in the organization. Indirectly stress is one of the important factors which makes the employee miserable. The unchecked stress can be the root cause of destroying the relationship in the family and in the organisation. A proper coping mechanism of stress will not only ensure efficiency and effective performance by the employee but will also ensure their well being in the organization. Hence the present study on managing stress among women bank employee in Allahabad district of Uttar Pradesh is undertaken.

## REVIEW OF LITERATURE

Chand and Shetty<sup>2</sup>(1997) :Conducted a study to examine the organizational factors as predictors of Job related strain among 150 junior officers working in various banking institution in the state of Himachal Pradesh. Role conflict, strenuous working conditions and role over load were found to be the most and most significant predictors of job related strain.

Spector and Goh<sup>3</sup>(2001): examined the role of emotions in occupational stress. They employed a narrow definition of job stress as any condition or situation that elicits a negative emotional response, such as anger frustration or anxiety, tension in an attempt to overcome the broadness of previous definition and focus on negative emotional responses.

Joshi and Goyal<sup>4</sup>(2012) made an effort to study stress management among bank employee with reference to mergers and acquisitions. The study focused on the identifications of various stressors that increase the level of stress among employee. The stressors which were identified in the study were uncertainty insecurity fear concerning jobless, job changes, compensation changes

in poor status, prestige, work load, working hour, technological ,problem at work, inadequate salary, time for fasmily, job worries, at home group, differences and communication s.the finding suggested that employees satisfaction should be the first priority of bank soo that desired targets can be achieved.

Gopica<sup>5</sup>(2014) In hervresearch paperv attempted to study the experience level of employees and the relative effect of experience on stress level change.The primary aim of the study was to analyse the level of stress among the bank employees.variious factors which caused stress were identified such as work overload ,lack of reward and lack of autonomy.

### NEED OF THE STUDY

Stress among women employee has been a common phenomenon that has been outlined in various study conducted by eminent scholars. both at international and national levels. But the study related to women bank employees have not been carried out on a large scale.

### OBJECTIVE OF THE STUDY

The objective of the present research paper are:

1. To identify the major source of stress prevailing in banking sector in Allahabad district of Uttar Pradesh
2. To Evaluate the level of role stress among women employee in Allahabad District of Uttar Pradesh.
3. To examine the impact of Occupational stress among women employee in a banking Sector in Allahabad District
4. To identify the coping mechanism adopted by women employee in banking sector in Allahabad district of Uttar Pradesh
5. To suggest better ways and means to reduce stress among women employees in banking sector in Allahabad district of Uttar Pradesh

### HYPOTHESIS

#### Hypothesis: 1

- H<sub>0</sub>: There is no significant difference between monthly salary and level of Stress
- H<sub>1</sub>: There is significant difference between monthly salary and level of Stress.

#### Hypothesis: 2

- H<sub>0</sub>: There is no significant difference between Age and level of Stress
- H<sub>1</sub>: There is significant difference between Age and level of Stress.

#### Hypothesis: 3

- H<sub>0</sub>: There is no significant difference between Designation and level of Stress
- H<sub>1</sub>: There is significant difference between Designation and level of Stress.

#### Hypothesis: 4

- H<sub>0</sub>: There is no significant difference between Education and level of Stress
- H<sub>1</sub>: There is significant difference between Education and level of Stress.

### SAMPLE DESIGN

The total sample size of he present research paper is 95.The respondents were selected from both public and private sector banks. The respondents were working at different levels of management.

### DATA COLLECTION:

The present research article is based on both primary and secondary data .The primary data were based on a well designed and drafted questionnaire which was pre tested through the pilot survey The questionnaire was circulated among the women bank employees ,working at different levels in the sample banks.The secondary data was collected through the Annual reports of RBI, Indian Bank Association Journal and other referred journal which were related to human resource planning mechanism in banking sector.

### TOOLS OF DATA ANALYSIS

The difference in the stress in various roles among the women a bank employees based on each education, qualification, designation, salary, family size, working experience ,working hours was analysed by the application of statistical tools like Percentage, Mean, Standard Deviation, Chi Square test ,etc.

## **PERIOD OF STUDY**

The time span of the present study was January 2017 to march 2017 for data collection

## **ANALYSIS OF DATA**

### **Age :**

Age is an important factor to identify the level of stress among women employees in banking sector. From the table it is observed that 66.6% of the respondent were in the age group of 21-30 years while 56.3% were in the age group of 31-48 years and 20% belonged to 49-60 years. From the collected data it is analyzed that majority of the respondents were in the age group of 21-30 years. (Appendix -1)

### **Education :**

In the context of educational qualification of the respondents the collected data indicates that 42.1% respondents were graduates and 17.8% had higher education while 18.9 had professional qualifications. (Appendix -2)

### **Designation:**

Regarding designation it is inferred from the above table that 38.9% respondents were executives while 25.2% were managers and 15.7% were clerks. (Appendix -3)

### **Monthly salary:**

Monthly salary being one of the important factors in relation to the stress caused to working women in banking sector. From the table it is observed that 43.3% respondents had monthly salary between 45000-55000 while 10.5% had monthly income in the range of 35000-45000. (Appendix -4)

### **Marital Status :**

In the study of managing stress marital status is an important factor as it affects the working life balance of the working women employee. From the above table it is revealed that 47.3% respondents were married while 28.4% were unmarried and only 5.2% had separation from their husbands. (Appendix -5)

### **Number of Dependents:**

Number of dependents in the family is one of the major factors which causes stress among the women employees in banks. This liability leads them to work and hold the household and work place responsibility simultaneously. From the collected information it is inferred that 51.55 had

dependants less than 3 while 32.6% had dependency between 4-5 members (Appendix -6)

**Family System:** family system is also one of the prime causes of stress in recent years, family system comprises of nuclear family and joint family system. From the above table it is observed that 61% of the respondents had nuclear families while rest were living in joint families. (Appendix -7)

### **Experience:**

In the study of stress management experience plays a significant role as both less or more experience creates stress at the work place. The primary information reveals that 63.1% respondents had less than 5 years experience while 17.85 had experience between 6 to 10 years and only 6.3% had above 15 years of experience. (Appendix -8)

### **Spouse Occupation:**

Stress among women employee may be due to the nature of spouse occupation as the same creates work life imbalances. The primary information reveals that 36.85% respondents spouse had similar occupation while 29.4% spouse were engaged in government or private sector jobs. 15.7% respondents spouse were engaged in business activities. (Appendix -9)

### **Distance Between bank and Residence of Respondents:**

Stress may be caused due to the time taken from the home to the work place. The collected information indicates that 48.4% respondents were covering distance between 5 to 8 km while 28.4% covered above 10km during working days. (Appendix -10)

### **Working Hours :**

Working hours is one of the prime reasons of stress among women employee in banks. The primary data indicates that 48.4% respondents were working between 5-8 hours per day and 28.4% were working 10 hours on working days. From the data it can be analysed that 72% respondents were working between 5 - 10 hours on working days thereby creating stress. (Appendix -11)

### **Opinion Towards stressful area :**

In order to study the factor which causes stress in women it is relevant to know the opinion towards stressful areas by the respondents. The primary information reveals that 62.1% respondents were of the view that work related issues were the main cause of stress, 21% opined that family events were the reason of stress and 8.3% respondents

indicated that health problems were the cause of more stress. It is concluded that majority of the sample respondents were under stress due to work related issues. (Appendix -12)

**Hypothesis testing:**

Hypothesis is a quantitative statement about a population .it is an assumption that is made about a parameter values and then its validity is tested by statistical techniques. Which ultimately tell us whether the hypothesis is correct and is accepted or whether it is false and is to be rejected.

**Hypothesis: 1**

In order to find the relationship between the monthly salary of the respondents and their impact of stress, the following null hypothesis was framed and tested with the help of Chi-square test and the result is shown in the following table.

H<sub>0</sub>: There is no significant difference between monthly salary and impact of stress among women bank employee

H<sub>1</sub>: there is significant difference between monthly salary and impact of stress among women bank employee

Monthly salary(Rs)	No of respondents	Level of stress			
		Low	Medium	High	Total
25000-35000	15	3	10	2	15
35000-45000	10	1	6	3	10
45000-55000	45	8	27	10	45
55000&ABOVE	25	4	14	7	25
TOTAL	95	16	57	22	95

**Hypothesis: 2**

In order to find the relationship between the age of the respondents and their impact of stress, the following null hypothesis was framed and tested with the help of Chi-square test and the result is shown in the following table.

H<sub>0</sub>: There is no significant difference between Age and impact of stress among women bank employee

H<sub>1</sub>: there is significant difference between Age and impact of stress among women bank employee

Age(years)	No of respondents	Level of stress			
		Low	Medium	High	Total
21-35	63	12	38	13	63
35-45	19	4	11	4	19
45-55	7	1	5	1	7
55 & ABOVE	6	1	4	1	6
TOTAL	95	18	58	19	95

**Hypothesis: 3**

In order to find the relationship between the designation of the respondents and their impact of stress, the following null hypothesis was framed and tested with the help of Chi-square test and the result is shown in the following table.

H<sub>0</sub>: There is no significant difference between Designation and impact of stress among women bank employee

H<sub>1</sub>: There is significant difference between Designation and impact of stress among women bank employee

Designation	No of Respondents	Level of stress			
		Low	Medium	High	Total
Executive	37	6	21	10	37
Manager	24	5	15	4	24
Officer	19	4	11	4	19
Clerk	15	3	10	2	15
Total	95	18	57	20	95

**Hypothesis: 4**

In order to find the relationship between the educational qualification of the respondents and their impact of stress, the following null hypothesis was framed and tested with the help of Chi-square test and the result is shown in the following table.

H<sub>0</sub>: There is no significant difference between educational qualification and impact of stress among women bank employee

H<sub>1</sub>: There is significant difference between educational qualification and impact of stress among women bank employee

	No of Respondents	Level of stress			
		Low	Medium	High	Total
Primary	5	1	8	1	5
Secondary	15	3	8	4	15
Higher Secondary	17	4	9	4	17
Iti	18	3	12	3	18
Professional	40	7	24	9	40
Total	95	18	56	21	95

**COPING MECHANISM**

For finding the various coping strategies which are practiced by women bank employees in the study area ,the mean score analysis has been prepared .

Coping strategies	Mean score
Sharing problem with family members and friends	1.8
Sharing problem with others	2.5
Attitude for solving the problems immediately	1.5
Consulting with well wishers	1.8
Avoiding stressors	1.7
Enjoying leisure time even in busy schedule	2.0
Doing exercise for relieving of stress	2.16
Consumption of high caloric food	2.51
Walking to burnout stress	2.2
Attitude of reading self development books	2.04
Visiting native place for relaxation	2.04
Attitude of playing with pet animals	2.42
Practice of having short sleep	2.31

#### APPENDIX

##### (Appendix -1)

AGE(YEARS)	NO OF RESPONDENTS
21-35	63
35-45	19
45-55	7
55 & ABOVE	6
TOTAL	95

##### (Appendix -2)

EDUCATION	NO OF RESPONDENTS
PRIMARY	5
SECONDARY	15
HIGHER SECONDARY	17
ITI	18
PROFESSIONAL	40
TOTAL	95

##### (Appendix -3)

DESIGNATION)	NO OF RESPONDENTS
EXECUTIVE	37
MANAGER	24
Officer	19
CLERK	15
TOTAL	95

##### (Appendix -4)

MONTHLY SALARY(RS)	NO OF RESPONDENTS
25000-35000	15
35000-45000	10
45000-55000	45
55000&ABOVE	25
TOTAL	95

##### (Appendix -5)

MARITAL STATUS	NO OF RESPONDENTS
Umarried	15
Married	10
Divorced	45
Widow	25
Seperated	5
Total	95

##### (Appendix -6)

NO.OF DEPENDANTS	NO OF RESPONDENTS
1-3 MEMBERS	49
4-5 MEMBERS	31
5 AND ABOVE	15
Total	95

##### (Appendix -7)

FAMILY SYSTEM	NO OF RESPONDENTS
NUCLEAR	58
JOINT FAMILY	37
Total	95

##### (Appendix -8)

EXPERIENCE	NO OF RESPONDENTS
1-5 YEARS	60
6-10 YEARS	17
11-15 YEARS	12
15 & above	6
Total	95

##### (Appendix -9)

SPOUSE OCCUPATION	NO OF RESPONDENTS
SAME OCCUPATION	35
PRIVATE& GOVT	28
BUSINESS	15
NO WORK	17
Total	95

##### (Appendix -10)

DISTANCE BETWEEN BANK AND RESIDENCE	NO OF RESPONDENTS
LESS THAN 2 KM	45
2 KM-4KM	23
5 KM-6 KM	17
ABOVE 6 KM	10
Total	95

(Appendix -11)

WORKING HOURS	NO OF RESPONDENTS
5-8	46
9-10	22
ABOVE 10	27
Total	95

(Appendix -12)

STRESS FULL AREA	NO OF RESPONDENTS
WORK RELATED	59
FAMILY EVENT	20
RALTIONSHIP WITH SUPERIORS	8
HEALTH PROBLEMS	8
Total	95

### FINDINGS AND SUGGESTIONS

On the basis of the above analysis of the primary data the major findings of the study are:

1. Regarding age the primary data indicates that 66.1 % of the respondents were in the age group of 21-30 years while only 6.1 % were above 50 years .
2. In respect of the educational qualification 42.1% women employees in banks were graduates and only 5.1 % had primary education.
3. In context of the designation the primary information reveals that 64 % respondents were employed as executives and managers while only 15.7% were clerks.
4. regarding the marital status of the respondents it was observed that 47.3 % respondents were married while 28.4 5 were unmarried and 5.2 5 had separation from their husband.
5. In case of monthly salary of the respondents the collected information indicates that 47.3% women employees had monthly salary between Rs45000-Rs55000 and only 10.5 % had income between Rs35000-Rs45000 ..
6. .in the study of managing stress among women employees in banking sector the number of dependants in the family is of prime concern as it denotes the liability that they are taking care of..the analysis of the primary data indicates that 51..5% respondents had dependency of less than 3 members while 32.65% women employees had more than 4 dependents.

7. Experience is one of the major factor that effects the stress both physically and mentally in the human being..the analysis of the collected information indicates that 63.1% of the women employee had experience of more than 5 years and 17.8% were having experience between 6-10 years .
8. Working hours is also one of the prime factors which causes stress.The analysis of the data reveal that 48.4% respondents were working between 5-8hours on working days while 28.4% respondents were working above 10 hours on working days .
9. Regarding the stress full areas of working women in banking sector the analysis of the primary information indicates that 61.1% respondents were facing stress due to the work related issues while 21.1% were prone to stress due to family events.

### SUGGESTIONS

The women employees struggle to cope up with their family commitments and institutional needs whenever they contribute more to the institution. Hence, they could have a slight feel that they were ignoring their family responsibilities. This should be sensed by the authorities and some of the modern techniques like day outs with family members and family gatherings should be organized by the management.

Respondents at the age group of 41-50 are caught under the powerful and destructive effects of stress. This may be due to the hormonal imbalance, physical changes and weaknesses that might attack a person at the age of 40 and above. Hence, it is suggested to meet a physician, whenever needed, take proper healthy and nutrient food at right time and take care of oneself properly with

good rest. This really would help a respondent to come out of the excessive endangering powers of stress and can enable an individual to perform well in the organization.

The workers physical and psychological problems were the important causes of stress among respondents. Hence, necessary steps must be taken to organize training programmes and medical camps to equip the employees. It may minimize the level of stress among the respondents.

The employees should also be given importance to assertiveness training and laughter or smile therapy. After all, a smile brightens the face and adds to improve their personality and also enhances the mental strength.

It is suggested that the bank employees have to be granted the required days of leave to help them to balance their dual career, so that they can contribute well to their institutions.

Stressful people must try to be detached from their worries, step back and look from outside at the issues that cause the stress. Rather than trying to control things that are uncontrollable, the best way is to adjust with such stress producing responses and to get adapted with the same.

The married respondents are irritated both mentally and physically due to dual career. Hence, it is suggested that to relinquish their worries where they are working and enter their home very peacefully. Another way to overcome, rather than pulling down. This effort will help one to take a lot of the emotional sting out of a difficult situation. Though this may not be an easy task, but it can be accomplished over time. Developing positive coping behavior is an active step to help deal with a problem. Positive attitude towards life and a positive approach towards problems will help to reduce mental agony. Counseling is the best way to eradicate the evil effects of stress. Hence, the management should arrange counseling for the employees as a part of their welfare measures. Urban life style has generated more stress among the women bank employees. This could be avoided or at least minimized, by adopting a healthy life style. Regular exercises, consuming balanced diet, good sleeping habits, avoidance of the researcher suggests few time management tips to avoid stress. The tips include creating a balanced schedule, no over-commitment, prioritizing tasks, breaking projects into small steps and delegating tasks. Few people are prone

to doing all the work by themselves (be it at home or office), without delegating tasks to others; this attitude should be avoided, to overcome stress.

The researcher suggests that "flight" is another way of finding a solution to the problems due to job stress. If the respondent finds that the level of stress in job is harming their health and relationships and when there are no prospects for any development or remarkable change, then they can better quit the job and find a new one, rather than trying to live with stress.

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## Dynamics of Service Economy and its Challenges In Industrial Society

Pramila Choudhary

### ABSTRACT

*Our society has become "Industrial Society". Almost all Economic activities are taking the shape of Industry. As such, besides manufacturing and producing units providers services are also covered under the umbrella of Industry. Our economy has become more or less "Service Economy" providing livelihood to millions. The service sector is as old as the production sector, but in this era of global marketing, a revolutionary change is posing strong challenge in the Service marketing. Under the circumstances service marketing has become thriving area of study of multiple activities not only for academia but also for business management. Almost all business school scholars either work in service organization or start their own service business." Service Discipline has become indispensable in marketing sector, but quality service to consumers is the core challenge in service marketing. This paper focuses on the problems as challenges in today's dynamic service economy and its considered solutions for long term sustainability of "Service Marketing".*

### INTRODUCTION

Every person is a Salesman. We are all directly or indirectly involved in production or distribution of goods and services. We either sale goods in physical form or sale services to the society we live in. Our society has become - "**Industrial Society**". Every Economic activity is taking the shape of Industry. As such only producing or manufacturing units are not industrial units, but providing "Services" are also covered under the umbrella of industry. In this era of global marketing B.P.O. and K.P.O. are playing greater role in service marketing of I.T. sector. Our Economy has become more or less "Service Economy" providing livelihood to millions of people. Service sector constitute "**Human Power**" so the role of management to control and co-ordinate men, machine and materials are imperative. Effective management of "Human Resource", a core factor of service marketing, is enlarging its scope rapidly in our service dominated industrial society.

Naturally, service sector is as old as production sector but presently it is passing through a revolutionary change posing strong challenges in its marketing study of Service marketing has become thriving area of multiple activities not only for academia but also for business magnets. Almost all business school scholars have to work in service organization or they may even start their own service business because of its expanding role in various economies of the world representing nearly half of the economic activities. Global marketing structure and presence of I.T. Sector, Service marketing has become indispensable. International, National, Provincial or local at all levels service marketing is ruling. Air lines, Banking, Insurance, Telecom. Hotels, Restaurants, Laundries, Beauty Parlour, Recruitments, Accounting services, Legal Services and Administration or Office, Pay Rolls, Office - Cleaning, Security personnel, Advertising and many more services are contributing to service economy. The shape and size of the Service markets are changing because of Govt. Policies, social changes, business trends and advancement in information technology which high light the positive impact of service sector on our economy. Since the concept of "Service" has gone to a revolutionary change, its current position headed for a more established discipline in marketing to

### Key words

sustainability, Service Economy, livelihood, Industrial Society, Dabba Walla, Mukadams, Pyramid.

focus on customer’s satisfactions at Low cost with minimum time. It is dynamic, evolutionary and revolutionary but never static. For sustainability it has to be always updated with time and need of the customer as well as Industrial society. The paper is scheduled in the following section :

Section 1 : Concept of Marketing. Section

Section 2 : Different challenges before Service marketing.

Section 3 : A case study Discussed; Section

Section 4 : Conclusion of the Study,.

### THE CONCEPT OF MARKETING

The concepts of both market and marketing have changed. Now market is not a particular place for exchange or sale of goods but covers a wide area at national and international level. Similarly marketing in early days focused on selling agricultural products, later its scope expanded to manufacturing goods and then to service marketing presently ‘Services discipline’ which has become indispensable in marketing sector. It has assumed the role of an engine of modern day Economic prosperity. The Economy has become “**Service Economy**” in sustainable posture. Quality service to customers is the core challenge in service marketing. Often consumers complain about late delivery, incompetent personnel , inconvenience service hours, complicated procedures, long queues, Stiff competition and several other host of problems which appear as challenges because of difficulty in finding skilled, motivated and competent employees. Service organization may be small or large, but to run it as profitable operation is a challenge in present dynamic service economy .

### HUMAN RESOURCE ORGANISATIONAL PLAYERS

Employers      Employees      Customers

#### a) Human Resource Players.

In service sector, “Human” is the core player / service Provider, Service delivery personnel and service consumers all three play effective role from beginning to end. All are “Human” Hence, Human Resource Management (H.R.M.) is one of the major challenge in service marketing. In H.R. M. Operation and marketing are interdependent which focus on achieving excellence both technical and behavioural dimensions, Hiring ,

Training Job-Design, Employees, Empowerment by involvement. On the one hand quality service with utmost customers satisfaction and on the other hand are the key challenges before service economy. Global business environment, cut throat competition and sustainable existence of business have compelled every service organization for effective human resource management. Now H.R.M. exist as “**Developing Science**” which deals with behavioural approach of living personnel. It is the management of workers and work. It is a multidimensional resource equipped with knowledge, skills, creative abilities, talent and attitudes of an organization’s work force – which links a service organization and customers. It’s importance is so high that once said by

#### Bill Gates

*“Take our twenty best people and virtually overnight we became a mediocre company”*

**Alfred Solan** - An American peer business manager once said –

*“Take my physical assets but leave my people and in five years. I will have it back”.*

**Source : News Papers.**

The above two quotes well explain the importance of “Human factor” . Even a small negligence in dealing with this factor may lead to disaster Like a Rail Accident. **In 1983 American society for Training and development developed a “Human Resource Wheel”** to explain its core function viz ..... Quality of work life, productivity and Readiness for change.



**Figure 1 : “Human Resource Wheel”**

Ref. – 4

Source: Produced by A.S.T.D. of America in 1983

Broadly and precisely the challenges before service sector are researched under following two heads :

- A) Human Resource Factor
- B) Utmost confidence of Customers.

**A. HUMAN RESOURCE FACTOR :**

**1. Organisational Challenges.**

Human Resource management in service sector face organizational challenges on both- technical and behavioural dimensions of service excellence. Every service providers experience both good and bad service delivery experience because of human factor on both side. Employees and Customers. Time has gone when labour (employees ) was considered as a cost but under new situation employees are seen as partners. In any service organisation the following three functions are interrelated - Marketing, Operation and Human Resource. From creation of product to delivery to customers a number of interactions take place in between service providers - Employees & Customers. Variety of contacts from market research to sales, calls from phone conversation to billing & payment each interaction is what "Normann": has called - "Moment of Truth" the management challenge in such instance is to ensure consistency of quality and style. Even parking lot attendants security guards, receptionists and executive assistants who are junior front stage personnel also play vital role in creating first hand impression of service provider's organisation. So customers contact persons play an important operational responsibility not only in terms of helping to top management - manufacturing the service output but also who are responsible for marketing & delivery of the product So Human Resource a big challenge.

**2. Selection of Personnel :**

Employees as a core factor is an established link between service and customers. In service sector employees directly meet the need of customers. So they must be able and must have instant willing to deliver desired level of service to customers. H.R.M. undertake the job of selection and recruitment of right person to right job.

In service business employees are expected to be fast and efficient at executing operational task as well as courteous and helpful in dealing with customers. While selection of personnel for service, persons should be taken as per job design. Their qualification , health, aptitude, customer friendly attitude, co-operative nature etc. are essential factors considered while selecting front stage and back

stage employees. Retiring persons are also comfortable at back stage. Recruiting workers for technology - based- job for both front stage and back stage, service jobs are also challenging for quality service delivery. Rapid developments in I.T. sector result in serious changes and challenges for updating existing employees.

**3. Training:**

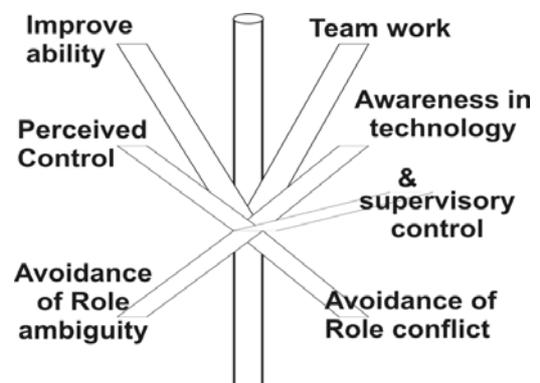
H.R.M. also arrange specialized training to selected employees for effective delivery of service. Technical skills, communication skill, team work, flexibility, adaptability and cool mentality etc. are challenging factors considered while recruiting & training of service personnel. Training covers a variety of dimensions including product of the company, system of the company, awareness of employees role in assessing and meeting customers need. To quote famous management Guru.

**B. R. LEWIS AND T. W. ENTWISTLE :**

" To understand and operate service encounters within organization and service delivered to customers which include relationship customers contact and back room staff, between operation and non- operation staff and between staff and management at all levels and locations" - training is the most important element."

**Source :** " Managing the service encounters a focus on the employee" by B. R. Lewis - Reference - 6

Inspite of in born or acquired qualities and qualifications successful training programme is another challenge before service management because it leads a number of ability as shown in the **Employee Training Tree**.



**Figure 2 : Employee Training Tree1**

**Source :** " Journal of marketing 1988 Vol- 52, Article by Zeithaml. - Reference - 2

- a) **Improve ability** : It provide employee – Job fit to improve ability of employees to perform a job.
- b) **Team Work** : H. R. M. also inculcate team work mentality evidenced by caring management and committed employees.
- c) **Technology Awareness** : During training employees are made technology – job-fit which are presently essential for the employees and management.
- d) **Perceived Control** : Under the H.R.M. provide quality of flexibility in mind set of employees in dealing with customers. Without this stress level may adversely affect the performance level of employees.
- e) **Avoidance of Role conflict** : Under this training is provided to employees in satisfying employees expectations of the company and expectations of customer.
- f) **Avoidance of role ambiguity**: Employees should know what are expected of them and how their performance will be evaluated.

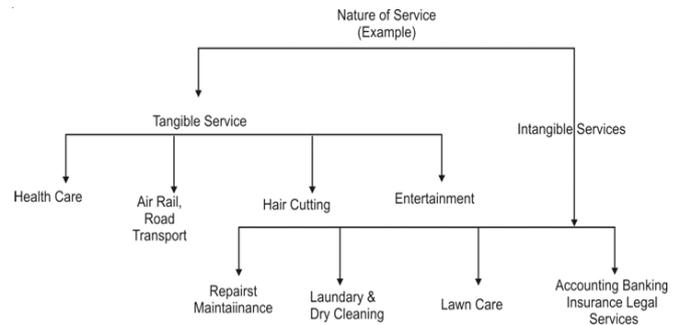
Thus selection of right personnel, placing them to right job and skilled training to achieve excellence in service delivery are strong challenges before service economy.

**B. UTMOST CONFIDENCE OF CUSTOMERS**

Customer’s satisfaction is the ultimate goal of service marketing. Consumers of service providers or customers experience a great sense of uncertainty or risk at the time of purchasing services. Psychological experience of waiting (in queues), expectations of quality service, attraction of advertisements and promotional activities in search of new customers and repeat customers are challenging elements to regulate utmost customer’s confidence in the service product. Customers are the ‘Souls’ without which the whole structure of service product is like a ‘Dead Body’.

Incase of high level services, high level of interaction between customers and service personnel are necessary – particularly among direct recipient of service like Beauty salons, Lodges, Restaurants, Bars, and Passenger Transport etc. Services maybe tangible or intangible – a chart is shown below:

Table - 1



Source : Article – The Human Factor by C. H. Love Lock – Reference - 4

**Christopher Love lock** is recognized as world authority on service marketing who well explained the views of customers directly and closely. Contact with service personnel & their satisfaction highly require quality improvements in efforts of service persons. Love lock in 1981 said service persons perform triple role as – operation specialist, marketer and part of the service product itself **Berry and Parasuraman** also observed – **“For most services, the server cannot be separated from the service” – 1991.**

Thus, people factor in service marketing viz – customers and service persons complicate management’s functions. Customers evaluate the qualities of employees’ appearance, their social and technical skills. Customers also compare with services of other service provider firms. Therefore in order to maintain and improve customer’s loyalty it’s a challenge before service economy to balance between employees’ empowerment and customer’s expectations.

Customers do not buy goods or services – they buy specific benefits and value from the total offering – which refer to benefits that customers derive from the purchase of core product – tangible or intangible like packaging financing, advice, warranty, reliability etc. Excellent core product like comfortable bed in a hotel, excellent waiting area, cordial reception and responsiveness add greater satisfaction to customers. Customer now demand higher standard quality service. In order to survive in this competitive market service companies now recognizes unconditional service guarantee, free phone – in advice centre (Toll Free Number) to build bonding with customers and enfuse long-term relationship. So customer’s service strategy and its implementation are important live challenges before service sector.

For cementing loyalty of service personnel and creating utmost good faith/confidence of customers for their consistent re-purchase behaviour '**Relationship Marketing**' is also a big challenge. Hence, '**customer care service**' both before and after are on high priorities. It is viewed as **long-term investment for future growth and profitability**. Similarly to motivate employees directly involved in catering service to customer rewards and promotions are sincerely looked after. For retaining the right personnel providing flexible working hours, Healthcare, Pension, Holidays etc. are also moderate challenges before service sector in this global competitive market. So making or breaking relationship with employees and customers are nothing but challenges to economies cost of sales.

## CASE STUDY

Mumbai Tiffin Box Suppliers Association :

In India, there are many organizations and entrepreneurs active in the service sector. The pure and direct service providers to lakhs of service consumers with out use of any fuel or modern technology is highly active in Mumbai – Popularly know as "**Dabbawalas**"

## INTRODUCTION

The challenges before service economy are multifaced. However, the researcher during her study in Mumbai in may – June 2017 closely studied the challenges facing "Mumbai Tiffin Box supplier's Association (MTBSA). The history is very interesting which made "Dabbawalla" Hero from zero in service sector which forced "The Price of Wales" to express surprise at their efficiency without employing any technology. The Dabbawalla services are also very popular with the Indian IT developer community in U.S.A. and also finds its pride place in "**Guinees Book of World Record**".

## NEED OF THE HOUR

The members of M.T.B.S.A. are popularly know as "**Dabbawalla**" not only in Maharastra but in the most developed part of the world too. Mumbai is a highly developed **smart city** called "**Financial capital of India**". The services of Dabbawalla in Mumbai is immense mostly to office goers who usually leave their home by 7-30-8-00 am in order to reach office in time. Long distance travel and heavy rush on traffic, office goers in Mumbai have no option but to welcome the services of "Dabbawalla" for home cooked lunch.

## Success Secrets

The extra ordinaly, Sincerety, Simplicity, Commitment, Dedication, Honesty with self respect have established Dabbawallas as eye openers in the field of service marketing facing various challenges". With illiterate and semi literate personnel the Mumbai Tiffin Box Suppliers Association (M.T.B.S.A.) has emerged as "**Entrepreneur**" solving complex service issue without using modern high technology a leason to service provider organizations.

## In Retrospect of Prospect

Surprising to note that its service started under British Colonial rule in 1885 when a banker in Mumbai hired a man to pick- up lunch from his home to deliver that in his office and after lunch the lunch box was to be returned to his residence for the following day. Such practice with increasing number of customers and service providers gradually because the base of the pyramid approach to benefit low income, workers and high income earners alike. The real history on record started in 1956 with the registration of a Charitable Trust with the name "**Nutuan Mumbai Tiffin Box Suppliers Association**" (NM.T.B.S.A.).

Presently the area of operation of Dabbawallas" covers nearly 60-70 kms with total strength of 5600 employees. The numbers of "Dabbas" collected & delivered is roughly 2,00,000 each day. If return journey for redelivery of empty Dabbas are taken together the transaction reachers to 4,00,000 a day.

## CHALLENGES

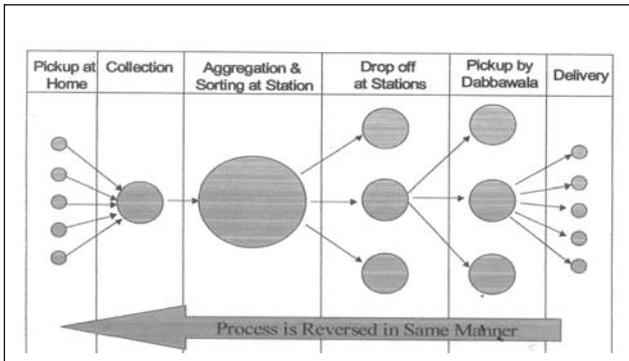
Undoubtly in service sector "Dabbawala" enjoy monopoly position. For its success and sustainable development its important challenges must be constructively and scientifically processed.

### 1. Time Factor

The biggest challenge before "Dabbawals is the time factor. Timely collection of lunch boxes of customers from their home of – delivering those to the office place in time – and again timely collecting the empty lunch boxes for redelivery at homes are managed without any modern technology or machinery by simple, semi literate, unalcoholoic marathis in traditional white dress with white cap during service hours uninterrupted is itself a challenge.

2. Co-existences

Table 2: The Dabawalla System : On-Time delivery



Source : Reference - 5

The problems of delivering home made fresh food in lunch boxes to nearly of 2,00,000 office workers by 5000 work force of both sexes require strong bonding between dabhawallas as its organization work in three tires viz. Receiving, Carrying Delivery. Though their team work functioning is incredible, but strict villignence is the need of the hour on total avoidance of political influence and political party based unionism. These dabhawalla function in group of 15- 25. Each group is supervised by **mukadams** who are seniors. Each group is financially independent but co-ordinates with others for deliveries hence co-existence is essential. The process is competitive at the customer and united at delivery end. So commitment, dedication to co-exist and sustainability has had been a challenge throughout.

3. Punctuality

Time is money. The secret behind the grand success of Dabhawallas is the timely delivery of lunch boxes. The dabahawalls heavily depend upon public transport and local trains but some time due to rail strike, derailments, Monsoon and road jams create problems. Their dedication to work for punctual delivery they also use of cycles and the thellas for timely delivery of lunch boxes.

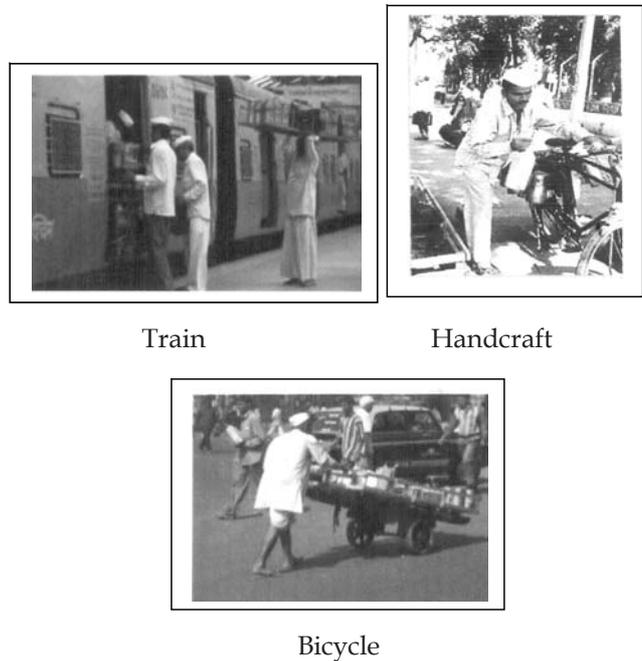
4. Simplicity:

Simple living with service mission is treasured asset of Dabhawalls. Times have changed but their dress, decdication and punctuality have not changed Dabhawallas find their jobs challenging and meaningdul. The work force belong to malva caste and are resident of Ajkola, Rajgurunagar, Ambagoan, Junnar and Maashi. They believe in employing people from their communities and villages on the recommendation of elders. The trainers

coming from villages always belong to the families of old dabhawallas. They live in slums and chawls. Their families live in villages. In this modern society particularly in city like Mumbai their simple living and unchanged white dress with a cap continuances are great challenges.

5. Modern Technology

In this era of modern technology speedy transport and computer, their sustainability in challenged. They operate with zero percent fuel usage and is environment -friendly. The work force is "Men" and not machine. Dabhawallas operate to provide financial opportunities for migrate workers from their villages and co-exist socially. They use existing **public transportation, Bicycles, and Handcrafts** to get the job done. However unlike other enterprise they also in 2006 went online with [www.mydabhawala.co](http://www.mydabhawala.co) to invite potential customers and also to give existing customers are opportunity to get closer by giving suggestions for improving the system. They are also planning to provide service like getting pizza or ice-cream delivered at the desktop of customers which are a challenges to wards innovation. Figure : 3, 4, & 5



Train

Handcraft

Bicycle

6. Fast food culture

Though "Dabhawalla" are undisturbed with the fast food culture, but it is again a challenge for its sustainability, Burgeoning middle class people are on the fast track of western culture and consider fashionable to eat at Macdonald, Pizza Huts or attend Coffee Pub for junk food. Spending a few hundred on such sites are very common, by young employees.

The dabbawals are undisturbed the opine- Let the youngsters eat junk food". Their targets are the Office and factory workers – who can not opt to eat at canteen / restaurant for long time. Heavy cost and time consuming fashion habit is sure to fade away with the passage of time.

To conclude , in order to be called a sustainable enterprises, **Dabbawallas**" has to travel on tough road ahead because of increasing labour cost, transportation cost and salary expectations. The challenge before the enterprise is to ensure that there exist no rift between management and workforce, no labour strike and their intense bonding are cemented. The dabbawala business model is basically philanthropic in nature which has to be kept intact for its sustainability.

## CONCLUSION

In conclusion it can be safely and authentically said that service management or service marketing has occupied a dignified place in service economy. Its expanding and effective role throughout the world represents nearly half of the economic activities. The concept of " Industrial Society" can not be imagined without service economy. For sustainable development and expansion, its basic challenges must be taken as constructive work-out by 'Top Management'. As this service sector directly deals with "Human" new challenges are bound to appear because human nature, human behaviours and human psychology. Besides the I.T. Revolution, Technological Upgradation, Rationalisation, Restructuring, Merger and Acquisitions, Mobility of Capital and Labour etc. have immensely influenced – Human Factor towards a changed to "**Knowledge-worker**" a shift from Blue Collar to White Collar. Service Sector is a business of human organization,

made or broken by its own people. So the door of further search and research-study are open for academia to overcome the challenges of service marketing strategies.

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Figure 3, 4 & 5 : Author's Photograph

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# A Study on Performance of Large-cap Equity Mutual Funds in India

Prakash Yalavatti & Bheemanagouda

## ABSTRACT

*Mutual Funds are best investment avenues for large number of investors in recent days. Risk and Return are the basic features of mutual fund. The present study evaluates and compares the performance of large-cap equity funds of four asset management companies (L&T, DHFL Pramerica, HDFC and Principal mutual fund). The results of study shows that L&T India large-cap equity fund is outperformed benchmark index (i.e. NSE-Nifty 50) according to the all measurement ratios. The performance of Principal large-cap fund and HDFC Top 200 is moderate but they also outperformed the benchmark index. DHFL Pramerica large-cap equity fund performance is very poor compared to other select funds.*

## INTRODUCTION

India is the fastest growing largest economy in the world and it has been consistently registering high growth rate after introduction of LPG in 1991. The economic growth rate was 7.6% in 2015-16. But still Indian economy is labeled as developing economy in the world. The urgent need of hour is to increase overall production to make India as a developed country by 2020. But this process requires huge amount of investment on production activities. There are many ways to channelize funds from savers to production activities. Mutual fund is also one of the best ways, in channelizing especially the funds from small and medium investors to production activities as India is a country with large number of small and medium savers. Total gross amount mobilized by mutual fund industry was Rs, 97, 68,100 crores in 2013-14 financial year. So, mutual fund industry has been playing very significant role in the progress of economy of India by becoming key industry in providing of capital to economic activities.

## LITERATURE SURVEY

J S Yadav and O S Yadav (2012) have made an attempt to analyze the contribution of mutual funds and FIIs in aggregate investment in the Indian economy. They found that investment made by the mutual funds is greater than the investment made by FIIs in aggregate. The study reveals that mutual funds are mainly invested in debt instruments whereas FIIs have dominated in equity investment. Finally the study says that during the recession period mutual funds played a vital role in pushing the economy upward and FIIs withdrew their investments. So the authors opine that the mutual fund works as a Good pick up & Boosting Engine and FIIs act as a Good Running Engine for the economy. S Prakash and C Sundar (2014) tried to analyze the performance of equity-oriented schemes of three private mutual fund companies viz., HDFC Mutual Fund Company, ICICI Mutual Fund Company, Franklin Templeton and the study concluded that the relation between mutual fund performance and fund characteristics is much interested aspect for financial market practitioners and investors. M.S. Annapurna and Pradeep K. Gupta (2013) made an attempt to analyze the return of selected mutual fund schemes. The study concluded that the mean return on equity mutual fund schemes is higher than the mean return on other mutual fund schemes and SBI domestic term

## Key words

Mutual Fund, Risk-Return, Beta, Sharpe ratio, Treynor Ratio and Jensen Alpha

deposit rate. The mean return on debt mutual fund schemes are lower than SBI domestic term deposit rate. But the mean return on money market mutual funds is consistently positive and very close to SBI domestic term deposit rate. Rakesh Kumar (2012) tried to evaluate the fund's performance, level of diversification, managers' capability to pick the undervalued stocks and to the time the market of 28 equity diversified mutual fund schemes of various funds houses between 2007 and 2011. The study revealed that 60% of sampled fund schemes performed better than the market and exposed to larger risks. The rest of schemes had poor performance with larger risk. The study found that the majority of the funds schemes were reasonably diversified. The study also reveals that about 58% of fund schemes were able to beat the market by stock selection skills. The timing the market is concerned, the fund managers almost failed both to book the profits in the up market and accumulate the stock in the down market. Vijayakumar N, Murugandan S and Chandra Sekhara Rao K (2012) made an attempted to examine the relationship between fund performance and fund characteristics using 14 open-ended funds of fund from 2004 to 2008. The fund performance is measured by fund return and its determinants are measured by standard deviation, fund size, turnover ratio, income ratio, and expenses ratio. The study reveals that strong positive relationship between fund performance and fund riskiness proxied by standard deviation of return, fund size and expenses ratio and negative relationship has created between fund performance and turnover ratio. Finally, the study suggested that fund managers need to enrich their knowledge and skill to react actively in accordance with the changes in the market environment. Kshama Agarwal and PrernaPatwa (2014) have made comparative study of the performance of equity funds focusing on the growth of public sector mutual funds and private sector mutual funds. The study is basically evaluated the risk and return profile of the equity funds of the selected sample four companies from both the sectors. The study has concluded that there is a significant difference between the performance of private and public sector mutual funds, and the private sector has performed better than the public sector. Vijayalaxmi Sundar (2014) tried to analyze the growth and development of Indian mutual fund industry and banking sector funds in respect of size, assets under management. The research study pointed out that there was faster growth and development in mutual funds industry in terms of assets under management and number of schemes as mutual funds are best means of investment

for small savers to get secured return at higher rate. The study also indicated that the year 2012 has seen a consistent growth in investment in banking stocks by the industry' equity fund managers and their exposure has risen from 17.23 % of total AUM in January 2012 to 21.15 % in December 2012. Manju Punia Chopra (2011) tried to measure the performance of mutual fund managers on the parameters of 'stock selection' and 'market-timing' ability using Jensen's alpha and Merton-Herriksson model on a sample of 36 Indian mutual fund schemes, with S&P CNX Nifty as a bench mark. The study reveals that on an average, fund managers are not able to predict security prices well enough to outperform a buy- the-market and - hold policy. The study also reveals that there was very little evidence of individual fund being able to do significantly better than expected from random chance. Finally, the study suggests that the performance of the mutual funds is not superior to the market during the study period, though a few funds are performing better than the market.

#### **NEED FOR THE STUDY**

In recent days, mutual funds have been getting lot of attention of small and medium investors. The investment in equity scheme is common decision of majority of aggressive investors as it is the only fund to give maximum return to investors compared to the other kinds of mutual funds. In equity fund itself, there are many diversified schemes available for investors like large-cap equity fund, mid-cap equity fund, small-cap equity fund, Sector fund, Thematic Fund, etc. These equity schemes carry different amount of risk and return to investors. Therefore a study on risk and return of equity schemes is necessary for every investor to make an appropriate investment decision to achieve wealth maximization objective. Based on literature study, it is observed that none of research studies focused on performance of large-cap equity funds. Hence the study on performance of Large-cap Equity Mutual Funds in India is undertaken to fill this gap and to give fruitful information to the investors and fund managers to make best decisions regarding investment of fund.

#### **OBJECTIVES OF THE STUDY**

The research study has following objectives:

1. To study the growth of Indian Mutual Fund Industry in India

2. To examine the performance of Large-cap Equity Mutual Funds of select AMCs
3. To compare the performance of Large-cap Equity Mutual Funds of select AMCs

**METHODOLOGY**

The methodology of the present study includes sampling, data collection and data analysis tools used for study.

**a. Sampling**

The following are Asset Management Companies and schemes which have been selected for study based on minimum five years of track records of schemes from 2011 under convenience sampling method.

Sl. No.	Asset Management Companies	Large-cap Equity Schemes (Regular)- Growth
1	L & T Mutual Funds	L&T India Large Cap Equity Fund
2	DHFL Mutual Fund	DHFL Pramerica Large Cap Equity Fund
3	HDFC Mutual Fund	HDFC Top 200 Fund
4	Principal Mutual Fund	Principal Large Cap Fund

**b. Data Collection**

The present research study is based on purely secondary data. The NAV data has been obtained from select Asset Management Companies’ websites and other secondary data obtained from AMFI website, books, Journals, etc.

**c. Statistical Techniques**

In this research study, different statistical tools have been used like percentage, Average, S.D. and other financial tools which are Sharpe Index, Treynor’s Index and Jensen Alpha etc., for processing the data to give reliable conclusion. The brief of some financial tools used in study are given below;

Standard Deviation – Measure of Total Risk

The standard deviation is a measure of total risk of fund. Total risk includes systematic risk and unsystematic risk.

$$SD = \frac{\sqrt{(\bar{X} - X)^2}}{N}$$

**Significance**

The higher value of standard deviation indicates high volatility in fund return; lower value indicates lower

volatility in fund return.

**Beta - Measure of Systematic Risk**

Beta is a measure of systematic risk of a portfolio. It indicates the volatility of fund return in relation to representative Index or benchmark.

$$\beta = \frac{\text{Covariance of stock and Index}}{\text{Variance of Index}}$$

**Significance**

Higher value of  $\hat{\alpha}$  indicates a high sensitivity of fund return against market index return; the lower value indicates low sensitivity of fund return.

**Sharpe Ratio**

The Sharpe Index measures the excess of fund return over risk free rate of return in relation to the total risk i.e. standard deviation.

$$S_p = \frac{R_p - R_f}{\sigma_p}$$

Where,

- $S_p$  = Sharpe Ratio
- $R_p$  = Return on portfolio
- $R_f$  = Risk free rate return
- $\sigma_p$  = Standard Deviation

**Significance**

The higher value of Sharpe ratio shows higher the performance of fund; lower value of ratio is lower performance.

**Treynor’s Ratio**

The Treynor index is an index which measures risk premium of a fund in relation to the systematic risk ( $\hat{\alpha}$ ). The risk premium is difference between fund return and risk free rate of return.

$$T_p = \frac{R_p - R_f}{\beta_p}$$

Where,

- $T_p$  = Treynor Ratio
- $R_p$  = Return on portfolio
- $R_f$  = Risk free rate return
- $\beta_p$  = Beta coefficient for portfolio

**Significance**

The higher value of Treynor Index shows higher the performance of fund; lower value of index is lower performance.

The risk free rate of return considered for computation of Sharpe Ratio and Treynor Ratio for study period is as follows

Year	2011	2012	2013	2014	2015
R <sub>f</sub>	7.50%	8.20%	7.85%	8.74%	8.18%

Source: RBI Monthly Bulletins of different years.

**Jensen’s Performance:**

The Jensen Alpha measures risk-adjusted performance of a security or portfolio in relation to expected market return. It is based on CAPM Model.

$$R_p(E) = R_f + [\beta_p * (R_m - R_f)]$$

Where,

R<sub>p</sub>(E) = Expected average portfolio return

R<sub>f</sub> = Risk free rate return

β<sub>p</sub> = Beta coefficient for portfolio

R<sub>m</sub> = Average market return

$$\alpha = R_p - R_p(E)$$

R<sub>p</sub> = Average portfolio return

R<sub>p</sub>(E) = Expected average portfolio return

**Significance**

The positive value of Alpha indicates that fund manager is able to generate extra return. The negative value indicates fund manager is unable to generate any excess return in relation to market return.

**ANALYSIS AND INTERPRETATION**

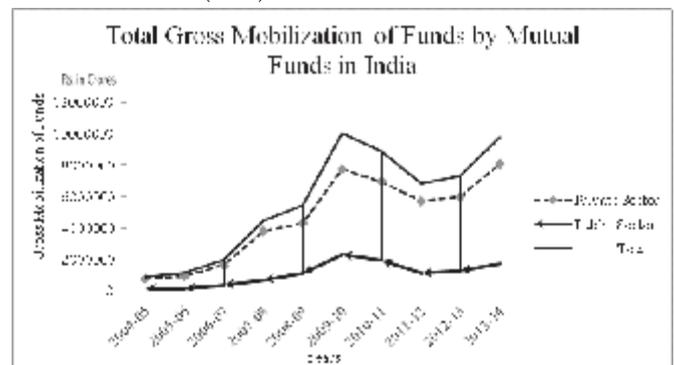
The analysis of the study has two sections. The first section explains growth of mutual fund industry in India and in second section performance of select large-cap equity funds of select AMCs have been analyzed and interpreted.

**Section-A Growth of Indian Mutual Fund Industry**

**Table 1. Gross Mobilization of Funds by Mutual Funds in India (Rs. in crores)**

Year	Private Sector	Public Sector	Total
2004-05	7,36,463	1,03,245	8,39,708
2005-06	9,14,703	1,83,446	10,98,149
2006-07	15,99,873	3,38,620	19,38,493
2007-08	37,80,753	6,83,624	44,64,377
2008-09	42,92,751	11,33,603	54,26,354
2009-10	76,98,483	23,20,539	1,00,19,022
2010-11	69,22,924	19,36,591	88,59,515
2011-12	56,83,744	11,35,935	68,19,679
2012-13	59,87,889	12,79,996	72,67,885
2013-14	80,49,397	17,18,703	97,68,100

Source: Data collected from handbook of statistics on Indian securities market (2013) SEBI.



**Figure-1**

Table 1 and Figure 1. depicts the growth of Indian Mutual Fund Industry over a period of ten years from 2004-05 to 2013-14. It is interestingly traced that mutual fund industry is playing crucial role in economic development of India. The amount mobilized by the mutual fund industry has been substantially increased during the period of 2003-04 to 2013-14. The total amount mobilized was Rs.8, 39,708 crores during 2004-05 and out of this amount Rs. 7, 36,463 crores was mobilized by the private sector mutual funds and Rs. 1, 03,245 crores mobilized by the public sector mutual funds. Similarly, total amount mobilized by the mutual fund industry was increased to Rs.10, 98,149 crores in 2005-06. The share of private sector and public sector was Rs. 9, 14,703 crores and Rs.1, 83,446 crores respectively. In the year 2006-07 total amount mobilized was increased to Rs19, 38,493 crores and in this share of private sector was high. Similarly in 2007-08 total amount mobilized was Rs. 44, 64,377 crores which was almost more than two times of total amount mobilized in the previous year. In 2008-09, amount mobilized was Rs.54, 26,354 crores.

In 2009-10 the amount mobilized by private and public sector was Rs.76, 98,483 crores and Rs.23, 20,539 crores

respectively. Put together the total amount mobilized was Rs.1, 00, 19,022 crores which was highest amount mobilized in one year during the period of 2003-04 to 2013-14. In next proceeding years 2010-11 and 2011-12, total amount mobilized was decreased to Rs. 88, 59,515 crores and Rs. 68, 19,679 crores respectively. In next two years there was increase in mobilizing of an amount that Rs.72, 67,885 crores in 2012-13 and Rs.97, 68,100 crores in 2013-14. Thus total amount mobilized by mutual fund industry has been gradually increased and made its mark in contribution to the economic development of country as shown in figure 1.

**Section-B Performance of Large-cap Equity Mutual Funds**

The analysis of performance of Large-cap Equity Funds has been made in three sub-sections which are given below:

**1. Return Related Analysis and Interpretation**

**Table 2. Return of Select Large-cap Equity Funds-Growth Option (R) and Benchmark Index (Figures in percentage)**

Year	NSE-Nifty 50	Asset Management Companies and Schemes			
		L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	-26.58	-19.29	-29.52	-26.57	-29.00
2012	25.61	22.00	23.04	29.44	27.87
2013	8.14	8.43	5.85	5.74	4.33
2014	28.09	37.84	25.84	39.53	37.07
2015	-2.85	1.19	0.44	-4.65	1.79
<b>Average</b>	<b>6.48</b>	<b>10.03</b>	<b>5.13</b>	<b>8.70</b>	<b>8.41</b>
<b>Deviation</b>	-	3.55	-1.35	2.22	1.93
<b>Out/Under performed</b>	-	Outperformed	Underperformed	Outperformed	Outperformed
<b>Rank</b>	-	<b>1</b>	<b>4</b>	<b>2</b>	<b>3</b>

Source: Calculated based on NAV data of respective schemes and benchmark index

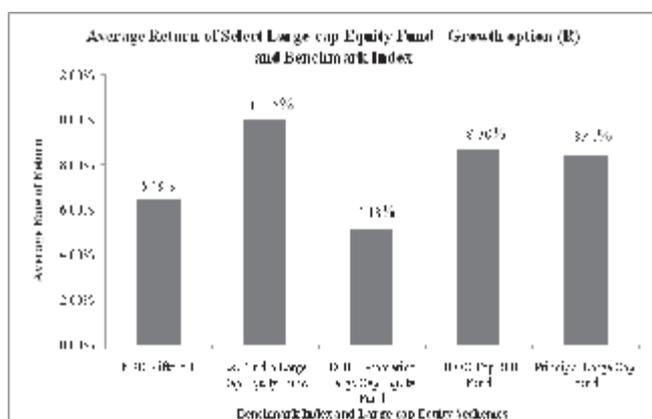


Figure-2

Table 2 and Figure 2. depicts the average return of select large-cap equity mutual funds and benchmark index i.e. NSE-Nifty 50 for study period. Funds have been ranked based on average rate of return from higher to lower. It can be observed that all select large-cap equity funds have outperformed their benchmark index except DHFL Pramerica large cap equity fund. The average return of L&T India large cap fund is 10.03% which is higher than benchmark index return i.e. 6.48%. Similarly average return of HDFC Top 200 fund and Principal large cap equity fund are 8.70% and 8.41% respectively. These funds average return are also higher than the benchmark index return; but lower than the average return of L&T large cap equity fund. Therefore L&T India large cap equity fund is ranked as 1 and HDFC Top 200 large cap equity fund and Principal large cap equity fund are ranked as 2 and 3. DHFL Pramerica large cap equity fund has underperformed the benchmark index by 1.35%. So this fund is ranked as 4 in respect of performance.

**2. Risk Related Analysis and Interpretation**

**Table 3: Standard Deviation of select schemes of Large-cap Equity Funds-Growth Option(R) and Benchmark Index (Figures in percentage)**

Year	Market S.D. (NSE-Nifty 50)	Asset Management Companies and Schemes			
		L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	20.81	16.76	19.10	18.82	17.01
2012	15.15	12.65	15.50	16.35	13.00
2013	17.92	15.82	16.38	18.81	16.42
2014	12.44	13.78	12.98	16.14	13.97
2015	16.03	16.79	16.22	17.99	15.52
<b>Average</b>	<b>16.47</b>	<b>15.16</b>	<b>16.04</b>	<b>17.62</b>	<b>15.18</b>
<b>Deviation</b>	-	-1.31	-0.43	1.15	-1.29
<b>Riskiness</b>	-	Less	Less	More	Less
<b>Rank</b>	-	<b>1</b>	<b>3</b>	<b>4</b>	<b>2</b>

Source: Calculated based on NAV data of respective schemes and benchmark index

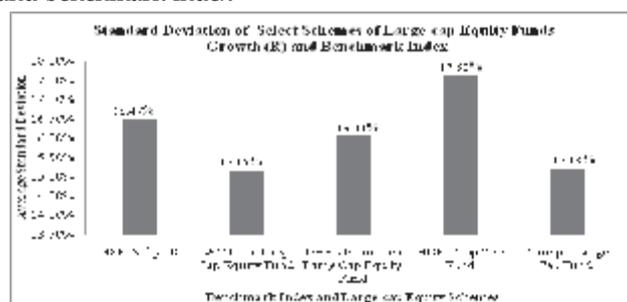


Figure-3

The table 3 and Figure 3. reveals the riskiness of select large cap equity funds and benchmark index i.e. NSE-Nifty 50. Further it shows the comparison of S. D. of select large-cap equity funds and benchmark index. Here funds have been ranked on basis of level of riskiness (i.e., lower the risk, the higher the return). From the table it can be observed that except HDFC Top 200 all funds are less risky funds compared to risk of benchmark index.

The Average S. D. of L&T India large-cap equity fund is 15.16%, which is less than the benchmark index S. D. i.e. 16.47% and also the S. D. of other select equity funds. So that this fund is ranked as 1 based on less riskiness. Similarly Principal Large-cap equity fund and DHFL Pramerica large-cap equity mutual fund has standard deviation of 15.18% and 16.04% respectively. But these funds standard deviation is more than L&T India large-cap equity mutual fund. Therefore Principal Large-cap equity fund and DHFL Pramerica large-cap equity mutual fund are ranked as 2 and 3. The standard deviation of HDFC Top 200 fund is 17.62%, which is more than benchmark index standard deviation and other select mutual funds. Hence this fund is ranked as 4 based on its riskiness.

**Table 4. Systematic Risk (Beta) of Select Schemes of Large-cap Equity Funds-Growth (R)**

Year	Asset Management Companies and Schemes			
	L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	0.80	0.91	0.89	0.80
2012	0.81	1.00	1.05	0.82
2013	0.87	0.90	1.01	0.82
2014	1.04	1.00	1.21	1.06
2015	1.00	0.99	1.08	0.94
<b>Average</b>	<b>0.90</b>	<b>0.96</b>	<b>1.05</b>	<b>0.89</b>
<b>Rank</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>1</b>

Source: Calculated based on NAV data of respective schemes and benchmark index

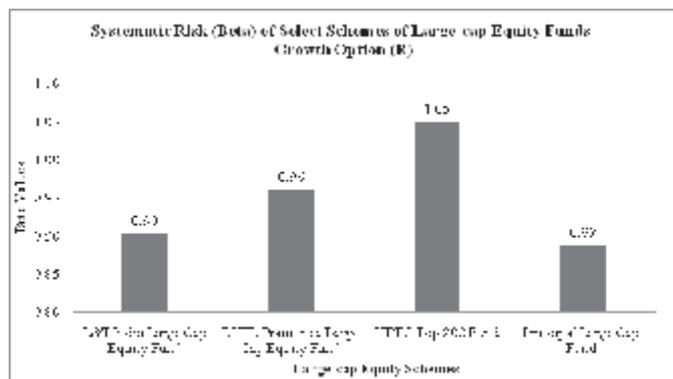


Figure-4

Table 4 and Figure 4. represents the systematic risk ( $\hat{\alpha}$ ) of all select large-cap equity mutual funds. The higher value of beta indicates a high sensitivity of fund return against market return variation; lower value indicates low sensitivity. So here funds have been ranked based on less sensitivity of funds against market return variation. From the table it can be observed that the beta value of Principal large cap equity fund is just 0.89. It means that fund is less sensitive to market return variation compared to other funds. So fund is ranked as 1. Similarly average beta value of L&T India large-cap Equity Fund is 0.90. It means that fund is little higher sensitive to market return variation compared to the sensitivity of Principal large cap fund and it is lesser sensitive to DHFL Pramerica large cap fund and HDFC Top 200 fund. Therefore fund is ranked as 2 based on less riskiness. The beta value of DHFL Pramerica large-cap equity fund is 0.96. It is very close to 1. So it implies that fund is more sensitive to the market return variation. But compared to HDFC Top 200 fund, it is less risky fund. Therefore fund is ranked as 3. Further beta value of HDFC Top 200 fund is 1.05. It indicates that fund is high sensitive to market return variation. Just 1% variation in benchmark index leads to 1.05% variation in fund return. Thus HDFC Top 200 fund is very high sensitive fund compared to all other funds and ranked as 4.

**3. Risk-adjusted Return Analysis and Interpretation**

**Table 5. Sharpe Index (Figures in percentage)**

Year	Benchmark Index	Asset Management Companies and Large-cap Equity Mutual Funds - Growth (R)			
	NSE-Nifty 50	L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	-1.64	-1.60	-1.94	-1.81	-2.15
2012	1.15	1.09	0.96	1.30	1.51
2013	0.02	0.04	-0.12	-0.11	-0.21
2014	1.55	2.11	1.32	1.91	2.03
2015	-0.69	-0.42	-0.48	-0.71	-0.41
<b>Average</b>	<b>0.08</b>	<b>0.24</b>	<b>-0.05</b>	<b>0.11</b>	<b>0.15</b>
<b>Deviation</b>	-	<b>0.17</b>	<b>-0.13</b>	<b>0.04</b>	<b>0.07</b>
<b>Out/Under performed</b>	-	Out performed	Under performed	performed	Out Performed
<b>Rank</b>	-	<b>1</b>	<b>4</b>	<b>3</b>	<b>2</b>

Source: Calculated based on NAV data of respective schemes and benchmark index

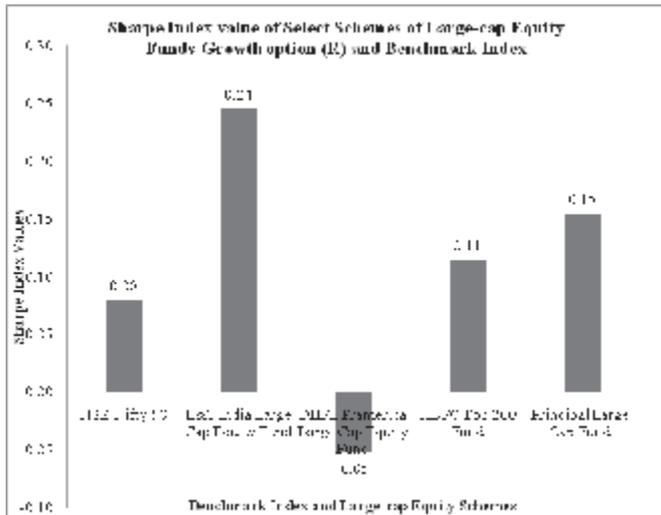


Figure-5

The table 5 and Figure 5. reveals the performance of select large cap equity funds and benchmark index (NSE-Nifty 50) based on Sharpe index. The sharpe index indicates the excess of fund return over risk free rate of return in relation to the total risk (S.D.). The higher value of sharpe ratio shows higher the performance of fund; lower value of ratio is lower performance. From the table it is clear that except DHFL Pramerica large-cap equity fund, all select large-cap equity funds' Sharpe value is positive. It means all these funds have outperformed the market index.

The sharpe value of L&T India large-cap equity fund is 0.24, which is higher than the value of benchmark index that is 0.08. It implies that fund has outperformed the market index in respect of return and it is ranked as 1 because its Sharpe value is greater than other select mutual funds. The Principal large cap-equity fund's sharpe value is 0.15 which is also higher than Sharpe value (0.08) of benchmark index. It means fund performance is more than benchmark index performance. But the performance of this fund is less than the performance of L&T India large-cap equity fund (0.24). So this fund is ranked as 2 in respect of performance. Similarly HDFC Top 200 fund has outperformed the benchmark index as its Sharpe value is 0.11, which is higher than sharpe value of benchmark index 0.08. But the fund performance is not better comparatively with L&T large equity fund and Principal large cap equity funds. Therefore this fund is ranked as 3 based on its performance as per Sharpe Index. The sharpe ratio of DHFL large-cap equity fund is negative (-0.05). It implies that fund has been underperformed the benchmark index. This is only a fund with negative value of sharpe among the chosen funds. Therefore this fund is ranked as 4.

Table 6. Treynor's Index (Figures in percentage)

Year	Bench mark Index NSE-Nifty 50	Asset Management Companies and Large-cap Equity Mutual Funds - Growth (R)			
		L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	-34.08	-33.52	-40.81	-38.41	-45.71
2012	17.41	17.07	14.82	20.30	24.07
2013	0.29	0.66	-2.22	-2.08	-4.29
2014	19.35	27.99	17.11	25.41	26.72
2015	-11.03	-7.01	-7.82	-11.83	-6.80
Average Deviation	-1.61	1.04	-3.79	-1.32	-1.20
Out/Under performed	-	2.65	-2.17	0.29	0.41
Rank	-	1	4	3	2

Source: Calculated based on NAV data of respective schemes and benchmark index

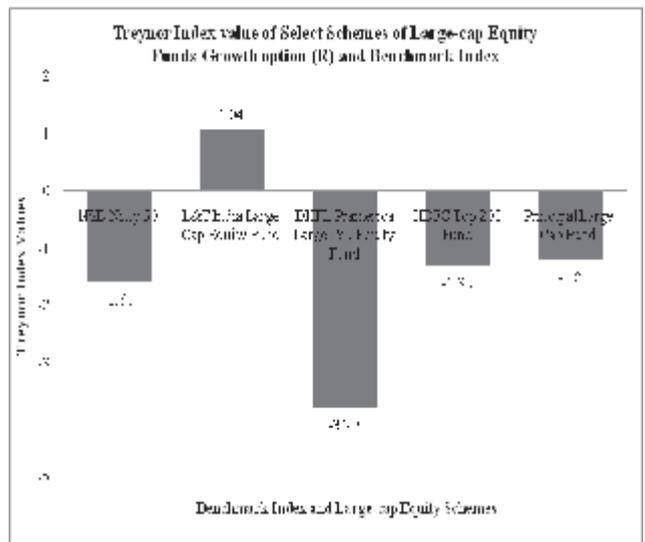


Figure-6

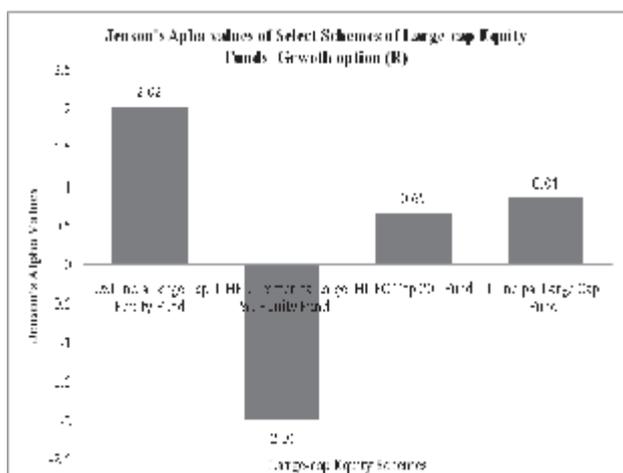
The table 6 and Figure 6. shows the performance of select large-cap equity mutual funds and benchmark index according to the Treynor's index. The Treynor index is an index which measures the risk premium in relation to the systematic risk ( $\hat{\alpha}$ ). Here funds have been ranked based on level of higher value of Treynor Index. So from the above table it can be observed that except L&T India large-cap equity fund all other select large-cap equity mutual funds and benchmark index have negative Treynor's value. L&T India large-cap equity fund is only a fund which has positive value (1.04), therefore this fund is ranked as 1.

The Treynor index value of principal large-cap equity funds and HDFC Large-cap equity fund have negative treynor's value (i.e. -1.2 and -1.32). However funds have been outperformed the benchmark index. HDFC Top 200 fund has been underperformed the benchmark index as Trynror index value of fund is higher negative value (-3.79) compared to benchmark index value (-1.61). Hence this fund is ranked as 4.

**Table 7. Jenson's Alpha (Figures in percentage)**

Asset Management Companies and Large-cap Equity Mutual Funds - Growth (R)				
Year	L&T India Large Cap Equity Fund	DHFL Pramerica Large Cap Equity Fund	HDFC Top 200 Fund	Principal Large Cap Fund
2011	-2.89	-6.11	-3.85	-9.29
2012	-0.30	-2.60	3.03	5.45
2013	0.32	-2.27	-2.41	-3.76
2014	8.98	-2.24	7.35	7.81
2015	4.01	3.18	-0.86	3.98
<b>Average</b>	<b>2.02</b>	<b>-2.01</b>	<b>0.65</b>	<b>0.84</b>
<b>Out/Under performed</b>	<b>Out performed</b>	<b>Under performed</b>	<b>Out performed</b>	<b>Out Performed</b>
<b>Rank</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>2</b>

**Source:** Calculated based on NAV data of respective schemes and benchmark index



**Figure-7**

The table 7 and Figure 7. depicts performance of mutual funds schemes based on Jenson's Alpha. The Jenson Alpha measures the ability of fund manager to generate excess return over expected market return. This measure is one of the best methods used for measuring the performance of funds. The positive Alpha value indicates that fund manager is able to generate extra return in relation to expected market return; negative value is unable to generate any excess return. Here funds have been ranked based on the high positive value of Alpha of fund.

L & T large-cap equity fund has alpha value of 2.02, which is higher than alpha value of rest of the other funds. So this fund is ranked as 1. Similarly Prinicpal large-cap equity fund and HDFC large-cap equity fund have alpha value of 0.84 and 0.65 respectively. This implies that funds managers are able to generate extra return in relation to expected market return. The DHFL large-cap equity fund is only a fund which has negative alpha value (i.e.-2.01). It indicates the fund manager is not able to generate excess return in relation to expected market return. So fund is ranked as 4 based on its performance.

**FINDINGS OF THE STUDY**

The following are findings of the study based on above analysis;

1. During the study period average return of L&T India Large-cap Equity Fund is 10.03%, which is higher than then benchmark index return i.e. 6.48% and other select large-cap equity funds. So it is found that L&T India Large-cap Equity Fund is best performed fund. The DHFL Pramerica Large-cap Equity Fund's performance is worst as its average rate of return is just 5.13%, which is less than the Benchmark index return and other select large-cap equity funds.
2. The L&T India Large-cap Equity Fund followed by Principal Large-cap Equity Fund and DHFL Pramerica Large-cap Equity Fund are less risky funds as standard deviation of these funds are less than the standard deviation of select benchmark index.
3. The HDFC Top 200 Fund is risky fund because its standard deviation is higher than the standard deviation of benchmark index.
4. The sensitivity of fund return in relation to variation in benchmark index is more in case of HDFC Top 200 Fund as its beta value is 1.05.
5. In case of DHFL Pramerica Large-cap Equity Fund, Principal Large-cap Equity Fund and L&T India Large-cap Equity Fund is less as their beta value is less than 1.
6. According to Sharpe ratio, the average performance of the L&T India Large-cap Equity Fund is best among other select large-cap funds. The average performance of Principal Large-cap Equity Fund and

HDFC Top 200 Large-equity Fund is also better compared to benchmark index, but performance of these funds are lesser than the L&T India Large-cap Equity Fund

7. The Sharpe value of DHFL Pramerica Large-cap Equity Fund is positive but it is less than the Sharpe value of benchmark index. So fund is underperformed benchmark index by -0.13.
8. According to Treynor's Index the average performance of L&T India Large-cap Equity Fund is 1.04, which is higher than the Treynor Index value of benchmark index i.e. -1.61 and other select large-cap funds. So this fund is best performed fund as performance is more than benchmark performance and other select funds.
9. The Treynor Index value of Principal Large-cap Equity Fund and HDFC Top 200 Large-cap Equity Fund is negative i.e. -1.20 and -1.32, but these values are higher than the Treynor Index value of benchmark index i.e. -0.016. Therefore these funds are also outperformed the benchmark index and underperformed the performance of L&T India Large-cap Equity Fund.
10. The Treynor Index value of DHFL Pramerica Large-cap Equity Fund is negative that is -3.79, which is higher than -0.016 is value of Treynor Index of benchmark. So fund is underperformed the benchmark index.
11. It is found that according to Jensen's Measure, the Alpha value of L&T India Large-Equity Fund is higher than the Alpha value of other select funds. It means fund manager ability to generate additional return is more in case of L&T India Large-cap Equity Fund.
12. Similarly Alpha value of Principal Large-cap Equity and HDFC Top 200 Fund is 0.84 and 0.65 respectively. It means fund manager ability to generate extra return in relation to expected return is good, but these fund managers ability is less than the fund manager of L&T India Large-cap Equity Fund
13. The DHFL Pramerica Large-cap Equity Fund's alpha value is negative i.e. -2.01 It means fund manager is not able to generate extra return in relation to expected market return.

## **SUGGESTIONS OF THE STUDY**

Following are the suggestions based on the findings of the study

### **To investors:**

- a. The investors are advised invest savings in L&T India large-cap Equity Fund as this fund is comparatively best performed fund in terms of return, Sharpe Index value, Treynor's Index value and Jensen's Alpha value. Moreover it is less risky fund.
- b. The investors of DHFL Pramerica large-cap Equity mutual fund are not benefited from their investment during the study period. So for better result investors have to switch the fund from investment.
- c. The return of investors of HDFC Top 200 Fund is more subject to market risk. So investors are informed that need to be alert about changes in the benchmark index.
- d. If investors of Principal Large-cap Equity fund are risk avoiders then they can continue their investment in fund as it is also less risky fund and has positive Jensen Alpha value.

### **To Scheme Fund Managers**

- a. The L&T India Large-cap Equity Fund is best performed fund during the study period. However, the systematic risk of fund is little higher so fund manager has to be careful regarding this risk.
- b. The fund manager of DHFL Pramerica Large-cap Equity is need to make conscious decision in order to improve the performance of fund as it is underperformed the benchmark in respect of return, Sharpe Index value and Treynor Index value. In addition, Jensen's Alpha value is also negative.
- c. The HDFC Top 200 Fund is more risky fund. So fund manager has to take precautions to minimize standard deviation of fund by having control on unsystematic risk that results in attraction of more investors for investment in fund.
- d. The fund manager of HDFC Top 200 should take utmost care while taking decision as fund performance is more sensitive in relation to variation in benchmark index.

- e. The performance of Principal large-cap Equity Fund is better as it is second ranked fund among select mutual funds in most of the measurement parameters. Though the fund manager has to take appropriate decisions for improving the performance of fund and it helps to retain the existing investors and to attract prospective investors.

## CONCLUSION

The study concludes that L&T India large-cap equity fund is outperformed the benchmark index and its performance is also high compared to other select schemes during the study period. Subsequently risk adjusted performance of Principal large cap fund is better compared to other rest of the two schemes. The performance of HDFC Top 200 and DHFL Pramerchia large cap equity funds is moderate. So finally investors of select schemes of mutual fund houses are advised to revise their portfolio to include better performing funds in it and to achieve investment objective.

## LIMITATIONS OF THE STUDY AND SCOPE FOR FURTHER RESEARCH

The limitations of the present study are;

- a) The study is limited to the analysis of large-cap equity funds under four asset management companies only.
- b) The research analysis is based on the past performance of select large-cap equity schemes and does not provide any assurance of the future performance of funds.
- c) As large-cap equity schemes are considered for the purpose of research, results are not relevant for any other mutual fund schemes.

Future studies can extend this study by considering the more than four AMCs and they can also compare performance of large-cap funds with mid-cap funds.

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