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BOOK REVIEW
Marketing Research: An Applied Orientation
Commandment
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Saaransh is an international bi-annual refereed research journal published by RKGIT (MBA), Ghaziabad. The objective of the journal is to provide a forum for discussion of advancement in the area of management. The journal published research papers, articles, book reviews & case studies. The journal invites manuscripts on all aspects of management and business environment.

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"Social Responsibility is the implied, enforced, or felt obligation of managers, acting in their official capacities to serve or protect the interests of groups other than themselves."

J. R. Gordon

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. In a modern era, CSR is contributing a significant and pivotal role in management activities by the industrial entrepreneurs. The most important part of CSR is to empower their employees and staff members with various activities.

Corporate sector are making some commitment to their stake holders to build up their socio-economic status and CSR is playing a vital role to upgrade their position. The interest of CSR is now enhanced and employee has started to stipulate from the organization for better expected status and standard of living. In recent times the concept has adopted a welfarism towards the stake holders. Organization now a days have started to think about social issues and unrest environment. That is why CSR is now foremost question with social demands from the stake holders and it follows the actions according to the anticipation of the people and it helps to improve social environment into the company. The company has to make proper theories and concrete policy to implement CSR activities.

CSR requires decision makers to take action that protect and improve the welfare of society as a whole along with their own interest. That means it entirely depends on commitment of the management how they are viewing to expand their CSR activity for their stakeholders because organization has to expand its business for the society. Some organization are supporting education and poverty elevation for community.

The present issue includes a case study on South Korean business environment. The Korean economy went through a very difficult economic phase in the late 1990s and its gradual recovery success has been the strength of its export industries, the engine of growth since the 1960s. This issue also includes a paper on the assessment of financial inclusion in India based on certain indicators selected for the study and also provides numerous suggestions to increase the same because it becomes necessary for an economy to focus on financial inclusion, as an efficient financial systems helps in the development of the economy.

I would like to extend my sincere thanks towards all who have contributed qualitative and informative research papers. I would like to express my heartfelt gratitude to our reviewers who contributed immensely in making SAARANSH a comprehensive and resourceful journal.

Dr Arvind Singh
FROM THE DESK OF THE EDITOR......

Most of the affairs of everyday life are colored with feelings, moods and emotions like joy, sorrow, love, happiness and sadness.

Morgan et al, 1988

Emotional Intelligence is the ability to monitor one's own and other's feelings and emotions to discriminate among others, and use this information to guide one's thinking and action (Mayer & Salovey). Emotions are the foundation of our ability to understand us and relate to others. Therefore, emotional intelligence is an inherent skill that human beings possessed since creation. Researchers recognized early on that, emotional aspects such as feelings, moods, and non-cognition were equally important (Emotional Quotient) as Intelligence Quotient. Emotional intelligence has attracted increasing attention across a wide range of disciplines of psychology, education, and human resources over the last decade.

Multi-Health Systems publishes The ‘Bar-On Emotional Quotient inventory’ that measures 15 factors, often regarded as the building blocks of complex working skills. They are- Intra-personal skills such as emotional-self awareness, assertiveness, self-regard, self-actualization and independence; Inter-personal skills such as empathy, interpersonal relationships and social responsibility; Stress management skills such as stress tolerance and impulse control; Adaptability such as problem-solving, reality testing and flexibility; and General mood such as happiness and optimism.

Studies have concluded that high level of Emotional Intelligence could lead to high Managerial Effectiveness because such people understand diverse worldviews and are sensitive to group differences, are attentive to emotional cues and listen well, detect crucial social networks, deal with difficult issues straightforwardly, listen well, seek mutual understanding, and welcome sharing of information fully, foster open communication and stay receptive to bad news as well as good

I feel privileged to place before you the 9th issue of SAARANSH RKG Journal of management. The present issue is a panorama of research papers and book reviews on various topics of common interest in the field of management. The research papers pertain to the major business areas like Business Environment, Dimensions of brand equity, Liquidity management, financial inclusion, Online advertising, FDI in retail, Forex market volatility, Value added services, Category management, corporate governance and accountability.

I express my indebtedness to all the authors for their valuable contribution to the journal and hope they will continue their relationship with us. I am also grateful to the eminent reviewing panel for selecting such quality papers for inclusion in the journal.

Dr Vinay K. Srivastava
vks.rkgit@gmail.com
INTRODUCTION

Korea has a 5,000 year history, with the first capital city named Joseon, meaning "Land of the Morning Calm", created in 2333 B.C. For five millennia, Korea has withstood the influences and invasions of neighboring countries and preserved its heritage, language and ethnic homogeneity. Throughout its history, Korea has excelled in science and technology advances, developing the world’s most scientific alphabet, the world’s first ironclad warship, the first metal typeset book, and the first udometer. Due to Korea’s location between the great imperial powers of the Orient, it has been subjected to invasions throughout its history by warring nations of China, Manchuria, and Japan. Despite conflicts and differences with their northern counterparts, South Korea has experienced one of the fastest rates of economic development in the world. In just 40 years, the nation has rebuilt itself from the devastation of war and has become one of the leading economies in Asia, behind Japan and China. South Korea’s LG is one of the global leaders in electronics, digital displays, semi-conductor devices, mobile phones, and high-tech gadgets. South Korea is the world’s third largest steel producer, POSCO and is a global leader in automobile manufacturing, led by Hyundai-Kia Automotive Group.

LANGUAGE

The Koreans are one ethnic family speaking one language. They share certain distinct physical characteristics which differentiate them from other Asian people including the Chinese and the Japanese and having a strong cultural identity as one ethnic family. The Korean language is spoken by more
than 65 million people living on the peninsula and its outlying islands as well as 5.5 million Koreans living in other parts of the world. The fact that all Koreans speak and write the same language has been a crucial factor in their strong national identity. Modern Korea has several different dialects including the standard one used in Seoul and central areas, but they are similar enough that speakers or listeners do not have trouble understanding each other.

CULTURE

The Korean culture has continued many of the traditions and events that came into their culture generations ago. Korea was first inhabited by many primitive tribes. Many were ancestors of the Mongolian culture. These tribes moved east into new lands where they began their new era. Many of the people living in Korea today are related to these first settlers. Korean life has always centered on the family and lineage, a supremely important principle. Large families historically have been prized and families intermarried within the regions of Korea to form large clans. Customs forbid marrying within one’s own clan, no matter how distant the cousin might be and because of this, detailed genealogical records dating back to hundreds of years are preserved.

The kinship system is divided into 4 (four) separate levels, starting with lower level which are household and reaching to the clan, which includes a large number of persons (Savada and Shaw, 1990). The second level is the “mourning group” and consists of all those descendants of a common patrilineal forbearer up to four generations back. The lineage comprises only a handful of households but could also include hundreds of households at the third level. The fourth group and most inclusive is the clan or the “tongjok”. Members of the clan share a surname and origins in the past. The real purpose of the clan is to define groups of permissible marriage partners. However, amendments to the marriage laws in the 1990s a have changed the age-old custom and allowed marriages with fourth generation members (PBSonline, 2008).

a) Korean Thanksgiving Day – Chuseok, one of the big holidays in Korea, is by far the biggest and most important. Family members near and far come together to share food, stories and give thanks to their ancestors for the abundant harvest. Last year (2009), Korea’s representative traditional holiday of Chuseok was celebrated from October 2nd to October 4th and marked a prime opportunity for foreign visitors to tour Korea’s cities and experience Korea’s culture.

b) Koreans celebrate their wedding anniversaries in a befitting manner too. These anniversaries provide guidance for appropriate or traditional gifts for the spouses to give each other or if there is a party these can be brought by the guests. Lists of wedding anniversary gifts vary from place to place.

c) Korean folk medicine is for the treatment of illness based on the traditional remedies practised by common people. In ancient times the sick could not get a doctor’s help, and hence treated illnesses by using animal parts and medicinal plants which were readily available nearby. While some are merely old wives’ tales, some have withstood the test of time and have been acknowledged as reliable remedies.

POLITICAL STRUCTURE

Korea currently operates under a Presidential Republic government with powers shared between the President, the legislature and the court, with the president dominating. The President is the head of state and is elected by direct popular vote for a single five-year term. However, the President is not the commander in chief. The president appoints the Prime Minister with approval of the National Assembly. He also appoints and presides over the State Council of Chief Ministers as the head of government (Basic Data, 2008). The current president is Lee Myung-bak of the Grand National Party.

ECONOMY

The South Korean market economy underwent a profound transformation in the last half of the twentieth century. It emerged from the Korean War devastated and remained a poor nation till 1960s, when unprecedented period of growth, modernization, and industrialization transformed the
economic and physical landscape of South Korea. However, during the late 1990s, Korea experienced a trade deficit, high wages, and an increase in the inflation rate which slowed the maturing economy. Economic growth was attributed to Korea adopting an outward-looking strategy which promoted growth through labour-intensive manufactured exports – a competitive advantage for Korea (Basic Data, 2008). But with a new government in place in 1998, Korea forged back into an economic growth period and restored foreign investors’ confidence. The free-market economy, increased flexibility in the labour market and restructuring of the chaebol-based business conglomerates has helped to maintain Korea’s status as an economic global leader. In its desire to turn the country into a business and transport hub for northeast Asia, Korea is investing heavily in infrastructure.

### Table No-1

#### ECONOMIC PERFORMANCE

<table>
<thead>
<tr>
<th>Main Economic Indicators</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth (%)</td>
<td>3.1</td>
<td>4.7</td>
<td>4.2</td>
<td>5.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Consumer price inflation (av; %)</td>
<td>3.5</td>
<td>3.6</td>
<td>2.7</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Current-account balance (US $ m)</td>
<td>11,950</td>
<td>28,173</td>
<td>14,981</td>
<td>5,385</td>
<td>5,954</td>
</tr>
<tr>
<td>Exchange rate (av; W:US$)</td>
<td>1,191.6</td>
<td>1,145.3</td>
<td>1,024.1</td>
<td>954.8</td>
<td>929.3</td>
</tr>
<tr>
<td>External debt (year-end; US$ m)</td>
<td>123,028</td>
<td>133,713</td>
<td>148,341</td>
<td>187,990</td>
<td>220,059</td>
</tr>
</tbody>
</table>

**Source:** Economist Intelligence Unit, Country Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest Rate</th>
<th>Growth Rate</th>
<th>Inflation Rate</th>
<th>Unemployment Rate</th>
<th>Current Account</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>2.00%</td>
<td>0.20%</td>
<td>2.70%</td>
<td>4.40%</td>
<td>–4.48</td>
<td>1138.8000</td>
</tr>
</tbody>
</table>

Today, Korea is one of the wealthiest countries in Asia and the 11th largest trading nation in the world. It has established itself as the world’s leading shipbuilder (beating out China) and manufacturer of electronics, semiconductors and automobiles. Its main driver of economic growth is the manufacturing industry with export-oriented automotive and consumer electronics sectors at the top of the list. Foreign trade represents over 70% of the country’s GDP with China being one of the most important trade partners (Basic Data, 2008), both export and import.

### Table No-2

#### Quarterly GDP Growth Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Mar</th>
<th>Jun</th>
<th>Sep</th>
<th>Dec</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>0.20</td>
<td>2.40</td>
<td>3.20</td>
<td>0.20</td>
<td>1.50</td>
</tr>
<tr>
<td>2008</td>
<td>1.20</td>
<td>0.30</td>
<td>-0.10</td>
<td>-4.50</td>
<td>-0.78</td>
</tr>
</tbody>
</table>

From the aforesaid Table, it can be analyzed that the Gross Domestic Product (GDP) in South Korea expanded at an annual rate of 0.20 percent in the
last quarter. South Korea’s Gross Domestic Product is worth 929 billion dollars or 1.50% of the world economy, according to the World Bank. An extremely competitive education system and a highly skilled and motivated workforce are two key factors driving this knowledge economy. In recent years, Korea’s economy moved away from the centrally planned, government-directed investment model towards a more market-oriented one.

Of late, South Korea’s economic growth potential has fallen because of a rapidly aging population and structural problems that are becoming increasingly apparent.

Table No. 3
REAL GDP: SECTOR WISE (% share of GDP)

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.8</td>
<td>3.8</td>
<td>3.4</td>
<td>3.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Industry</td>
<td>39.0</td>
<td>40.7</td>
<td>40.3</td>
<td>39.6</td>
<td>39.4</td>
</tr>
<tr>
<td>Services</td>
<td>57.2</td>
<td>55.6</td>
<td>56.3</td>
<td>57.1</td>
<td>57.6</td>
</tr>
</tbody>
</table>

CHAEBOLS

A chaebol can be defined as a business group consisting of large companies which are owned and managed by family members or relatives, in many diversified business areas. A single family usually referred to as the founding family, controls the entire web of companies woven around the core company. It has been recorded that the founding family and the owner controls as much as 60 percent of the entire stake of these companies. The Korean word Chaebol means “business group” or “trust” and is synonymous with “Big Business” in English.

Chaebols have played a major role in the Korean economy since the 1960s. Currently, there are several dozen large Korean family-controlled, government-assisted corporate groups or Chaebols. These groups are powerful independent entities influencing the economy and politics and have cooperated with the government in order to further the economic development of the country (Kim, 2008).

Chaebols were the result of a need for rapid industrialization through large businesses in the 1960s and they played a key role in developing new industries, markets and export production with the help of foreign loans and special favours, such as access to foreign technology. With the government’s assistance and guarantee of repayment, chaebols exploded in the export markets and became financially independent and secure.

During the economic crisis of 1997, 11 of the largest chaebols collapsed exposing their vulnerability. After investigations exposed widespread corruption, the government reformed the chaebol system by requiring chaebols to diversity, decentralize management, and enforce antitrust laws and inheritance taxes. The chaebol system continues to dominate Korea’s economy and the allegations of corruption and tax evasion also continue.

Some Chaebols have become internationally known such as Samsung, Hyundai, LG, Daewoo, and SK. They operate similar to large corporations. Chaebols are usually owned and managed by the same family group with a centralized ownership. Chaebols are prohibited from owning private banks and the government regulates the relationship a chaebol has with a banking institution so that an exclusive banking agreement is avoided.

BUSINESS CULTURE

Koreans have transitioned greatly into Western society but the traditional ways of thinking are still practised and business etiquette is very important to them.

Working Practices

Appointments when required should generally be made a few weeks in advance and punctuality is essential as a sign of respect. However, the top Korean business executives may arrive a few minutes late. This is a reflection of their extremely
busy and pressured schedule and should not be taken as an offence. It is also recommended that you send any proposals, company brochures, and marketing material, written in both Korean and English, as a preview for Korean contacts before visiting the country.

Structure and hierarchy

Korea is known for its vertical social structure based on age and social status. The organizational arrangement of Korean companies is highly centralized with authority concentrated in senior levels. Influenced by Confucianism, Koreans' respect for authority is paramount in their business culture and practices. High-ranking individuals tend to have more power over their subordinates than in the West. Consequently, decision making in Korea will follow a formal procedure in which senior approval is necessary.

Working relationships

Generally speaking, responsibility is delegated to trusted, dependable subordinates by their superiors. Therefore, it is imperative not to offend or ignore the lower ranks and to show the various managers the same respect as other senior levels. Age is the most essential component within a relationship. Personal ties in Korea, such as kinship, schools, birthplaces etc, often take precedence over job seniority, rank or other factors, and have significant influence over the structure and management of Korean companies.

Business practices

The exchange of business cards is vital for initiating introductions. Koreans prefer to know the person they are dealing with. Therefore, it is important to emphasize your title so that the correct authority, status, and rank is established. It is advised to have the reverse side of your card translated into Korean. Cards should be presented and accepted with both hands and must be read and studied with respect and consideration before placing them on the table. At the first business meeting, gifts are often used to acquire favours and build relationships. Like most Asian countries, Koreans believe that contracts are a starting point, rather than the final stage of a business agreement and prefer them to be left flexible enough so that adjustments can be made. Today, it is quite common for Koreans to shake hands with foreign colleagues after a bow.

GLOBAL MARKET PLACE

In recent years, a number of South Korean businesses have made tremendous progress in entering and securing a position within the global marketplace. The Korean market is unlike any other in the world. In South Korea, the term “seeing is believing” could be a motto. It is recommended that foreign businesses visit South Korea to conduct market research as well as conduct face-to-face meetings.

Obtaining information on different importers is always valuable. South Korean businesses appreciate when foreign companies send materials, such as price lists, product samples, and company information to office contacts so that they can understand business better and put relationship into perspective. The materials should necessarily be both in English and Korean.

<table>
<thead>
<tr>
<th>Table No. 4</th>
<th>MAIN TRADING PARTNERS OF SOUTH KOREA (% of total)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPORTS FOB TO:</strong></td>
<td><strong>2003</strong></td>
</tr>
<tr>
<td>Country</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>18.1</td>
</tr>
<tr>
<td>US</td>
<td>17.7</td>
</tr>
<tr>
<td>Imports CIF From:</td>
<td>Japan</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7.6</td>
</tr>
</tbody>
</table>

The relationship with the U.S. is important and its military alliance helps guarantee close economic ties. Relation with North Korea continues to remain strained.

Japan continues to be a competitor and relations remain strained due to a lingering bitterness after Japan’s harsh rule from 1910-1945 (Basic Data, 2008). The territorial dispute over a group of islets between the two countries renewed tensions between the countries but recent efforts on the part of President Lee Myung-bak seem to have improved cultural exchanges.

Economic links between China and Russia continue to grow. With a growing economy, both Russia and China could see the benefits of cultivating economic links with Korea. With diplomatic relations established in the early 1990s, the Soviet Union withdrew their long-standing veto on South Korea, and South Korea finally joined the UNO. South Korea’s trade with ASEAN members is also becoming more and more visible.

INTERNATIONAL CORPORATIONS

Samsung Electronics

Samsung has been the world’s most popular consumer electronics brand since 2005 and is the best known South Korean brand in the world. Samsung Group contributed 20% from the South Korea’s total exports and is the leader in many domestic industries such as chemical, financial, entertainment and retail. The company’s strong influence in South Korea is visible throughout the nation, which has been referred to as the “Republic of Samsung”.

The 1990s saw Samsung's rise as an international corporation. Samsung Electronics Co. Ltd., is the part of the Samsung Group and is one of the leading consumer electronics brands in the world today. The Samsung Group is composed of numerous international affiliated businesses including Samsung Electronics, the world's largest electronics company, Samsung Heavy Industries, the world’s second largest shipbuilders and Samsung C&T, a major global construction company.

Samsung survived the Asian financial crisis of 1997-98 relatively unharmed. However, Samsung Motor, a $5 billion venture was sold to Renault at a loss. Additionally, Samsung manufactured a range of aircraft from 1980 to 1990s. The company was founded in 1999 as Korea Aerospace Industries (KAI), the result of merger between Aerospace, Daewoo Heavy Industries and Hyundai Space and Aircraft Company (HYSA). Most importantly, Samsung Electronics (SEC) has since come to dominate the group and the worldwide semiconductor business, even surpassing worldwide leader Intel in investments for the 2005 fiscal year.

Samsung Electronics, which saw record profits and revenue in 2004 and 2005, overtook Sony as one of the world’s most popular consumer electronics
brands, and is now ranked No.19 in the world overall. Behind Nokia, Samsung is the world’s second largest producer of cell phones with a leading market share in the North America and Western Europe. Total electronics exports of Korea’s leading firms have been depicted in the Table given below.

Table No. 5

<table>
<thead>
<tr>
<th>Companies</th>
<th>1987</th>
<th>1991</th>
<th>1993</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung</td>
<td></td>
<td>$5 billion</td>
<td>$7 billion</td>
<td>$10 billion</td>
</tr>
<tr>
<td>LG</td>
<td>$1.8 billion</td>
<td>$2.1 billion</td>
<td>$2.9 billion</td>
<td>$5.0 billion</td>
</tr>
<tr>
<td>Hyundai</td>
<td>$390 billion</td>
<td>$730 billion</td>
<td>$1.1 billion</td>
<td>$4.1 billion</td>
</tr>
<tr>
<td>Daewoo</td>
<td>$800 billion</td>
<td>$1.2 billion</td>
<td>$1.5 billion</td>
<td>$1.9 billion</td>
</tr>
</tbody>
</table>


Samsung and LG have become world leaders as the makers of mobile, telecommunication equipment, consumers’ electronics, overtaking rivals such as Motorola (US) and Sony (Japan) – Basic Data, 2008.

LG Electronics Inc

LG Electronics is the world’s second-largest manufacturer of televisions and the third-largest devices. LG Electronics owns Zenith Electronics and controls 38% of LG Display. Headquartered in the LG Twin Towers in Yeouido, Seoul, the company operates its business through its four divisions. LG Electronics is the flagship company of LG Group, one of the world’s largest electronic conglomerates in South Korea. The company has 75 subsidiaries worldwide that design and manufacture televisions, home appliances, and telecommunication equipment, digital display and digital media. During the year ended December 31, 2007, the mobile communication division accounted for approximately 41% of total sales.

AUTOMOBILE SUB-SECTOR

Although the Korean automobile industry has not been able to compete with Japan automobile technology industry, it certainly has achieved glaring improvement in the automobile industry. Korean automobiles have a reputation as being able to provide good value for money. The automobile industry is a leader among the country’s manufacturing sector with Hyundai Motor at the front, closely followed by Kia Motors.

Kia Motor corporations

Kia Motors is South Korea’s second largest automobile manufacturer, having sold over 1.6 million cars in 2009. The company is partially owned by the Hyundai Kia Automotive Group. Since August 21, 2009, Hyoung-Keun (Hank) Lee leads the company’s global operations from the headquarters in Seoul; North American and European arms are operated by Kia Motors America and Kia Motors Europe respectively.

Since 2005, Kia has focused on the European market and is currently one of the UK’s fastest growing car companies. In 2005, Kia Motors identified design as its core future growth engine and in 2006, designer Peter Schreyer became Kia’s Chief Design Officer. Schreyer, shortly thereafter, created a new corporate grill abstracting the nose of a tiger’s and its mouth.

In October 2006, Kia Motors America broke ground for its first United States assembly plant in West Point, Georgia, representing a $1 billion USD investment for the company. Kia Motors Manufacturing Georgia opened in February, 2010. For 2009, KMA recorded its 15th consecutive year
of increased U.S. market share.

Kia Motors Corporation (KMC) [www.kia.com] was founded in 1944 and is Korea’s oldest manufacturer of motor vehicles and is now a division of the Hyundai-Kia Automotive Group. Over 1.5 million vehicles a year are produced in 13 manufacturing and assembly operations in eight countries which are then sold and serviced through a network of distributors and dealers covering 172 countries. Kia today has over 42,000 employees’ worldwide and annual revenues of over US$14.6 billion.

Hyundai Motor Company

Hyundai Motor Company, a division of the Hyundai Kia Automotive Group, is the world’s largest automaker by profit, the world’s 4th largest automaker by units sold and the world’s fastest growing automaker. Headquartered in Seoul, South Korea, Hyundai’s manufacturing facility in Ulsan, produces 1.6 million units annually. It employs about 75,000 persons around the world. Hyundai vehicles are sold in 193 countries through 6,000 dealerships and showrooms worldwide. The Hyundai logo, a slanted, stylized ‘H’, symbolizes the company shaking hands with its customer. Hyundai translates from the word “modernity” in Korean.

In 2004, Hyundai Motor Company had $57.2 billion sales in South Korea making it the country’s second largest corporation. Worldwide sales in 2005 reached 2,533,695 units, an 11% increase over the previous year. Hyundai has set its 2006 worldwide sales target 2.7 million units (excluding exports of CKD kits). In 2007 it reached 3,961,629 vehicle sales worldwide surpassing Fiat, Chrysler, PSA/Peugeot, Nissan, and Honda. Hyundai was the fifth largest automaker in the world as of 2008.

Hyundai Motor Company’s brand power continues to rise as it was ranked 72nd Best Global Brands by Interbrand and BusinessWeek survey in the year 2007 and its brand value was estimated at $4.5 billion. Public perception of the Hyundai brand has been transformed as a result of dramatic improvements in the quality of Hyundai vehicles. In 2006, Hyundai was conferred with ‘Top-rated 2006 Ideal Vehicle award by Auto pacific Marketing Research and Consultancy Firm for automobile industry. In the 2007 Strategic Vision Total Quality Awards, Hyundai Motors leads the most vehicle segments in Strategic Vision’s Total Quality Index, measuring ownership experience. No wonder, Hyundai tops in Strategic Vision Total Quality Awards.

Daewoo International Company

Daewoo (Korean for “Great Universe”) or the Daewoo Group was a major South Korean chaebol (conglomerate). It was founded on 22 March 1967 as Daewoo Industrial and was dismantled by the Korean government in 1999. Prior to the Asian Financial Crisis of 1998, Daewoo was the second largest conglomerate in Korea after Hyundai Group, followed by LG Group and Samsung Group.

During fiscal year 2006, Daewoo experienced an increase in revenues of 24.1% over 2005 and an increase of 26.4% in operating profit over 2005, but a decrease of 34.5% in net profit over 2005 (Daewoo International Corporation SWOT Analysis, 2007). However, 2007 financial reports indicate a downhill trend for net profit, indicative of the problems facing the company with increased costs and a slowdown in the economy (Daewoo International Website, 2008).

CONCLUSION

South Korea went through a very difficult economic phase in the late 1990s and its gradual recovery success has been the strength of its export industries, the engine of growth since the 1960s. The diversification of this sector, which also includes high-tech industries, will ensure a position for South Korea as a major economic power and a major global exporter. The high domestic labour costs have led to the relocation of some labor-intensive industries to other Asian countries like China and Vietnam. This process will likely to be accelerated, especially because it can speed up recovery of the South Korean economy and help it grow faster by making its products more competitive in world markets. If the current process of reconciliation between the two Koreas continues, better ties will likely lead to extensive production of South Korean goods-for-export in North Korea, where labour costs
are much lower. Better ties will also provide a big opportunity for South Korean industries as their government has agreed to expand and modernize North Korea’s crumbling infrastructure, pending the settlement of major security concerns. The unification of the two Koreas could also turn a united Korea into a stronger economic and military power. The combined economic and military capabilities of the two Koreas will likely help a united Korea to establish itself as a regional power in the Pacific.

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Business Week – TDK Korea Corporation : Private Company Information www.investing.businessweek.com/research/stocks/private


Korean Culture - http://www.emagasia.com/tag/korean-culture

Book : Culture and Customs of Korea by Donald N Clark – ISBN:0-313-30456-4

Culture - http://www.mnsu.edu/emuseum/cultural/oldworld/asia/koreanculture.html
INTRODUCTION

A brand is a singular idea or concept that (a product) own(s) inside the mind of the prospect (Kotler, 2000). It is an important marketing mean for both manufacturers or traders and consumers. Today, the brand for consumer is not just a static combination of different attributes which only allows an identification of goods, but also the physically implicit emotional factor determining the final decision.

In marketing, the term brand equity has been defined as the enhancement in the perceived utility and desirability a brand name confers on a product (Lassar, Mittal and Sharma, 1995). High brand equity is considered to be a competitive advantage as: it implies that firms can charge a premium; there is an increase in customer demand; extending a brand becomes easier; communication campaigns are more effective; margins can be greater; and the company becomes less vulnerable to competition (Bendixen, Bukasa, and Abratt 2003).

The importance of brand equity consists in numerous benefits for companies. It increases the probability of brand selection, leading to customer loyalty to a specific brand (Pitta and Katsanis, 1995). Kamakura and Russell (1993), advocate three components of brand equity. They are: (i) perceived

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Suman Kumar Dawn*

ABSTRACT

A brand is a name, term, sign, symbol or design, or a combination of them intended to identify the goods or services of one seller from among a group of sellers and to differentiate them from those of the competitors. The brand can add significant value when it is well recognized and has positive associations in the mind of the consumer. This concept is referred as brand equity. Today, the most important thing in marketing management is to find out the loyal customers. These loyal customers along with patents, trademarks and channel relationships comprise brand equity which is a primary source of competitive advantage and future growth and prosperity. Brand loyalty reveals the various features and parameters on which consumers buy the products. It gives the future guarantee for success because it reflects the consumers’ frequency to purchase the same brand. As we know that the dimensions of brand equity like higher brand loyalty, brand awareness, perceived quality and brand association can generate higher brand equity, this paper tries to study the relationship between them. This study also wants to establish that if there is any significant relationship between purchasing of different brands of shampoo and its high price. In the case of shampoo usages of different brands in consumer products category, survey indicates that there is a strong relationship between product quality and price increment which interprets that product quality and price are the major factors for building brand loyal customers of shampoos. Again from the study, it establishes that if customers are well aware of a particular brand then there is high chance to be used. The study also establishes that if customers are loyal towards a particular brand, a change in price up to a reasonable extent keeping product quality good, will not affect the brand loyalty.

Keywords: Brand, Brand awareness, Brand loyalty, Brand equity, Brand association, Brand Image

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quality; (ii) brand dominance; and (iii) intangible value. Perceived quality has been defined as the value of the brand, which cannot be explained by price and promotion. The perceived quality influences brand associations and affects brand profitability. The second measure, brand dominance provides an objective value of the brand’s ability to compete on price. Their third measure, intangible value is coined as the utility perceived for the brand minus objective utility measurements.

The purpose of this study is to investigate the relationship between purchasing of different brands of shampoo and its quality which extends in building the brand equity. This study also wants to establish that if there is any significant relationship between purchasing of different brands of shampoo and its high price. In the case of shampoo usages of different brands in consumer products category, survey indicates that there is a strong relationship between product quality and price increment which interprets that product quality and price are the major factors for building brand values of shampoos. Again from the study, it establishes that if customers are well aware of a particular brand then there is high chance to be used. The study also indicates that if customers are loyal towards a particular brand, a change in price up to a reasonable extent keeping product quality good, will not affect the brand loyalty.

**Literature Review**

Brand concept refers to the image of a particular brand as it is commonly understood by consumers. Park, Milberg, & Lawson (1986) have categorized brand concepts into two parts. The first is the function oriented brand concept and the second is the prestige oriented brand concept. A function oriented brand concept emphasizes those perspectives of the brand which are dealt with sustained product performance, such as reliability and durability. At the other hand, prestige oriented brand concept is dealt with images of luxury and status.

Keller (2008) defines brand image as consisting of (1) user profiles, (2) purchase and usage situations, (3) personality and values, and (4) history, heritage and experiences. Also, Aaker & Joachimsthaler (2000) advocate brand identity elements around four perspectives: (1) the brand as a product, (2) the brand as an organization, (3) the brand as a person, and (4) the brand as a symbol.

Keller (1993) has conceptualised a comprehensive perception of brand equity from the customer’s point of view which is essential for successful brand management. According to Keller’s explanation, positive customer based brand equity can lead to greater revenue, lower cost, and higher profit. Laurent, Kapferer and Roussel (1995) suggest three classical measures of brand awareness in a given product category. They are spontaneous (unaided) awareness, top of mind awareness and, respectively, aided awareness. Lassar, Mittal and Sharma (1995) define brand equity is regarded as the enhancement in the perceived utility and desirability-a brand name confers on a product. High brand equity is considered to be a competitive advantage as it implies that firms can charge a premium, there is an increase in customer demand, extending a brand becomes easier, communication campaigns are more effective, there is better trade leverage, margins can be greater, and the company becomes less vulnerable to competition.

Feldwick (1996) has identified three different approaches to brand equity. They are: (i) brand value (the total value of the brand as a company’s intangible asset – financial approach), (ii) brand strength (the strength of consumer commitment to a particular brand – behaviourist approach) and (iii) brand description (associations and beliefs consumers have about particular brands – cognitive approach). Brand strength and brand description are customer-based aspects of brand equity, whereas brand value is a financial aspect of brand equity.

According to Low et al (2002), a strong brand allows the companies to demand a premium price. They advocate that a brand is essentially a summary of associated values that leads to increase the buyer’s confidence in their choice. It also increases the level of satisfaction the buyer feels with regard to the purchase and provides comfort. Mudambi (2002) suggests that reputation refers to the image of the company. It is perceived by all of its stakeholders whereas branding focuses on the how the company
is perceived by its customers. Erdem, Swait and Louviere (2002) have argued that brand equity not only increases the utility of brands by saving consumer effort in making choices, but also raises/lowers sensitivity to price and other product attributes. According to de Chernatony and McDonald (2003), a brand is a cluster of functional and emotional benefits that extend a unique and welcomed promise.

Bendixen et al. (2004) have investigated about the favoured attributes of the customers within the brands. In their analysis, they have found out and rated nine attributes of customers’ preferred brand. They found quality was the most desirable attribute, followed by reliability, performance, after-sales service, ease of operation, ease of maintenance, price, supplier’s reputation, relationship with supplier’s personnel.

According to Bengtsson et al. (2005), a strong corporate brand will provide customers with a positive perception of the qualities the company. The aim is to generate confidence in potential customers as to the supplier’s quality, reliability, integrity etc. and create an impression of trustworthiness. This will be created through corporate branding and public relations. More recently, Cretu et al. (2007) have found that branding has a positive impact on the perceived quality of the product or service. It was also perceived as providing a product with an identity, a consistent image and as conferring uniqueness.

Conceptual foundation of brand dimensions and brand equity: The brand can add significant value when it is well recognized and has positive associations in the mind of consumer. Brand equity is a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers. In marketing, brand loyalty consists of a consumer’s commitment to repurchase the brand and can be demonstrated by repeated buying of a product or service. Keller suggested that brand equity should be viewed from a customer based perspective in which brand knowledge is essential in generating differential effects on consumers’ responses to marketing actions related to the brand. Aaker (1996) has approached brand equity as a set of fundamental dimensions grouped into a complex system. It comprises mainly as: brand awareness, brand perceived quality, brand loyalty and brand associations (Figure 1).

Figure 1: Brand equity and its dimensions

Perceived quality: According to Aaker (1991), perceived quality builds a brand in several ways. They are: (i) high quality gives consumers a good reason to buy the brand, (ii) allows the brand to differentiate itself from its competitors, (iii) to charge a premium price, and (iv) to have a strong basis for the brand extension (Aaker, 1991). There are five important types of attributes and benefits related to brand performance. They are: (1) primary ingredients and supplementary features, (2) product reliability and durability, (3) service effectiveness, (4) efficiency and empathy, style and design, and (5) price.

Brand Awareness: It is the basic tool that depicts the acceptability of the brand and builds the perception of the brand within its target market. Keller (1993) has defined brand awareness consists of two sub-dimensions: brand recall and recognition. Brand recognition is the basic first step in the task of brand communication, whereby a firm communicates the product’s attributes until a brand name is established with which to associate them. Brand awareness can be a sign of quality and commitment, letting consumers become familiar with a brand and helping them consider it at the point of purchase (Aaker, 1991).

Brand Association: Brand association reflects features of the product. It creates value for the firm
and its customers by helping to process/retrieve information differentiate the brand, create positive attitudes or feelings, provide a reason to buy, and provide a basis for extensions (Aaker, 1991). Customer-based brand equity occurs when consumers have a high level of awareness and hold some strong, favourable, and unique brand associations in their memories. While choosing a brand name, it is essential that the name chosen should reinforce an important attribute or benefit association that forms its product positioning.

**Brand loyalty:** Brand loyalty means when consumers become committed to the brand and make repeat purchases over time. The brand loyalty of the customer base is often the core of a brand’s equity. It reflects how likely a customer will be ready to switch to another brand, when the brand makes a change, either in price or in product features. According to Aaker (1991), brand loyalty adds considerable value to a brand because it provides a set of habitual buyers for a long period of time. Loyal customers are less likely to switch to a competitor solely because of price; they also make more frequent purchases than comparable non-loyal customers. Dickenson (1994) has described brand loyalty is a complex phenomenon. These are emotional loyalty, identity loyalty, differentiated loyalty, contract loyalty, switching cost loyalty, familiarity loyalty, and convenience loyalty. In emotional loyalty, unique, memorable, reinforcing experiences create a strong emotional bond with a brand. In identity loyalty, the brand is used as an expression of self, to bolster self-esteem and manage impressions. In differentiated loyalty, brand loyalty, brand loyalty is based on perceived superior features and attributes. In respect to contract loyalty, a consumer believes that continued loyalty earns him or her special treatment. In switching cost loyalty, the consumer may even be dissatisfied but will remain loyal because a competitor is perceived to be same. In familiarity loyalty, brand loyalty is the result of top-of-mind brand awareness. In convenience loyalty, brand loyalty is based on buying convenience.

**Methodology used**

The following research methodologies have been used:

The sample size (employee number) for the study is 100.

**Collection of data:** Data were collected using methods mentioned below:

**Sampling technique:** In this research work, simple random sampling has been used. Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample. Every possible sample of a given size has the same chance of selection.

**Questionnaire:** Questionnaires are prepared in order to get specific answers. Questionnaires with 5 point rating scale are used to find out option of the respondent's ranked from (i) strongly disagree, (ii) disagree, (iii) neutral, (iv) agree, and (v) strongly agree. The literature suggests that Likert scales are appropriate for evaluating customers’ satisfaction and attitudes.

**Documentation:** Proper documentation was done to gather more and appropriate information.

**Open discussion:** Where possible and necessary, open discussions have been conducted to gather more information.

**Interview:** Doubts about the questionnaires and points have been rooted out during the face to face interaction with employees. This gave the opportunity to garner more accurate information about the company.

**Statistical tools and techniques used:** For analysis the primary data we have used ANOVA (Two factors), Pie chart and Bar chart. In this study, the research design is descriptive and also the data has been collected from various retailers and consumers. There are no specific retailers or consumers. The customers are from varying economic and occupational background. Structured questionnaire has been used as a research instrument. This contains a group of questions and is used as an investigative market research tool in order to gain information from a respondent. Apart from the primary data, secondary data has also been used.
to get the information. The sources of secondary data are websites, books, newspapers, magazines etc.

**Objectives of the study**

a) To find out the gap in the existing knowledge relating to the brand awareness, brand loyalty and brand equity through literature survey.

b) To get an idea of customer awareness about various brands on shampoos.

c) To find out which brands of shampoo are mostly used by customers.

d) To find out the degree of correlation between customer awareness and most used brands on shampoo.

e) To find out the frequency of shampoo usage in a week.

f) To know about the frequency of shampoo usage in a month in terms of quantity.

g) To analyse the degree of homogeneity between purchasing of different brands of shampoo and its quality of product.

h) To analyse the degree of homogeneity between purchasing of different brands of shampoo and its high price.

i) To analyse if there is any significant effect on purchasing different brands of shampoo and customers’ brand loyalty if other marketing factors change.

j) To analyse the degree of homogeneity between purchasing of different brands of shampoo on its different product variants.

k) To find out the degree of relationship between product quality and price increment and customer awareness on the brand and possibility of usage that brand.

l) To give suggestions so that the brand managers can effectively design their brand strategies to attain the overall objectives of the companies for profitability, growth and stability.

**Hypotheses developed**

**Hypothesis 1**

$H_0$: There is no significant effect between purchasing of different brands of shampoo and its quality.

$H_1$: There is significant effect between purchasing of different brands of shampoo and its quality.

**Hypothesis 2**

$H_0$: There is no significant effect between purchasing of different brands of shampoo and its high price.

$H_1$: There is significant effect between purchasing of different brands of shampoo and its high price.

**Hypothesis 3**

$H_0$: There is no significant effect on inclination towards purchasing behavior of customers’ on brands of shampoo and its brand loyalty.

$H_1$: There is significant effect on inclination towards purchasing behavior of brands of customers’ on shampoo and its brand loyalty.

**Hypothesis 4**

$H_0$: There is no significant effect on purchasing of different brands of shampoo and on its different variants.

$H_1$: There is significant effect on purchasing of different brands of shampoo and on its different variants.

**Data analysis and interpretation**

**Analysis 1**

**Frequency of usage of shampoo on the basis of Income of the respondents**

<table>
<thead>
<tr>
<th>Income /p.m.</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5000</td>
<td>12</td>
</tr>
<tr>
<td>5000-10000</td>
<td>15</td>
</tr>
<tr>
<td>10000-15000</td>
<td>16</td>
</tr>
<tr>
<td>15000-20000</td>
<td>15</td>
</tr>
</tbody>
</table>
Analysis 2
Are you aware of different brands of shampoo?

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>35</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>22</td>
</tr>
<tr>
<td>Dove</td>
<td>6</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>14</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>23</td>
</tr>
</tbody>
</table>

Analysis 3
What Brand of shampoo do you use mostly?

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>35</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>26</td>
</tr>
<tr>
<td>Dove</td>
<td>2</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>15</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>22</td>
</tr>
</tbody>
</table>

Analysis 4
How many times in a week you are using shampoo?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once in a week</td>
<td>40</td>
</tr>
<tr>
<td>Twice in a week</td>
<td>31</td>
</tr>
<tr>
<td>Thrice in a week</td>
<td>15</td>
</tr>
<tr>
<td>Four times in a week</td>
<td>12</td>
</tr>
<tr>
<td>Five times in a week</td>
<td>2</td>
</tr>
</tbody>
</table>

Analysis 5
Put a tick mark on an approximate usage of the shampoo per Month

<table>
<thead>
<tr>
<th>Usage Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10 ml</td>
<td>39</td>
</tr>
<tr>
<td>10-20</td>
<td>29</td>
</tr>
<tr>
<td>20-30</td>
<td>14</td>
</tr>
<tr>
<td>30-40</td>
<td>13</td>
</tr>
<tr>
<td>40-50</td>
<td>5</td>
</tr>
</tbody>
</table>

Analysis 6
Do you use only one type of shampoo?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>23</td>
</tr>
<tr>
<td>No</td>
<td>77</td>
</tr>
</tbody>
</table>

Analysis 7
If “NO” what are the other brands of shampoo you are using?

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>26</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>20</td>
</tr>
<tr>
<td>Dove</td>
<td>6</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>8</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>17</td>
</tr>
</tbody>
</table>

Analysis 8
Which one is the last brand that you have purchased recently? Put tick Mark.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>37</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>24</td>
</tr>
<tr>
<td>Dove</td>
<td>5</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>14</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>20</td>
</tr>
</tbody>
</table>

Analysis 9
If in future product quality degrades how likely you would continue to prefer
the same Brand?

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly disloyal</td>
<td>55</td>
</tr>
<tr>
<td>Disloyal</td>
<td>24</td>
</tr>
<tr>
<td>Neutral</td>
<td>10</td>
</tr>
<tr>
<td>Loyal</td>
<td>6</td>
</tr>
<tr>
<td>Highly loyal</td>
<td>5</td>
</tr>
</tbody>
</table>

Distribution of respondents in conformity between purchasing of different brands of shampoo and its quality

**Analysis 10**

**H₀**: There is no significant effect between purchasing of different brands of shampoo and its quality.

**H₁**: There is significant effect between purchasing of different brands of shampoo and its quality.

<table>
<thead>
<tr>
<th>Shampoo</th>
<th>Superior quality</th>
<th>Good quality</th>
<th>Acceptable quality</th>
<th>Quality not accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>85</td>
<td>15</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>70</td>
<td>20</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Dove</td>
<td>55</td>
<td>36</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>38</td>
<td>31</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>82</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different brands of shampoo</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3.25916</td>
</tr>
<tr>
<td>Product quality</td>
<td>12442.4</td>
<td>3</td>
<td>4147.467</td>
<td>22.18292</td>
<td>3.48E-05</td>
<td>3.4903</td>
</tr>
<tr>
<td>Error</td>
<td>2243.6</td>
<td>12</td>
<td>186.9667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14686</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation**: As the calculated value of F (22.18292) is greater than the critical value of F (3.4903), therefore we will reject the null hypothesis and alternatively we will accept the alternative hypothesis. Hence, we conclude that there is a significant effect between purchasing of different brands of shampoo and its quality.

**Analysis 11**

**Distribution of respondents in conformity between purchasing of different brands of shampoo and its high price**

**H₀**: There is no significant effect between purchasing of different brands of shampoo and its high price.

**H₁**: There is significant effect between purchasing of different brands of shampoo and its high price.
**Table**

<table>
<thead>
<tr>
<th></th>
<th>Price not a barrier</th>
<th>Minor barrier</th>
<th>Price barrier</th>
<th>Price barrier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>52</td>
<td>18</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>55</td>
<td>13</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Dove</td>
<td>20</td>
<td>20</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>25</td>
<td>20</td>
<td>22</td>
<td>33</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>42</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different brands of Shampoo</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3.25916</td>
</tr>
<tr>
<td>Price</td>
<td>1328.4</td>
<td>3</td>
<td>442.8</td>
<td>3.442343</td>
<td>0.051821</td>
<td>3.4903</td>
</tr>
<tr>
<td>Error</td>
<td>1543.6</td>
<td>12</td>
<td>128.6333</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2872</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation:** As the calculated value of F (3.442343) is less than the critical value of F (3.4903) therefore we will accept the null hypothesis. Hence, we conclude that there is no effect between purchasing of different brands of shampoo and its high price. Thus if customers are loyal towards a particular brand, a change in price up to a reasonable extent keeping product quality good, will not effect the brand loyalty.

**Analysis 12**

<table>
<thead>
<tr>
<th></th>
<th>Current purchase (Brand loyal)</th>
<th>Continue to buy (Highly brand loyal)</th>
<th>Will purchase in future (Brand switchers)</th>
<th>Will not purchase further (Highly brand disloyal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>40</td>
<td>38</td>
<td>18</td>
<td>4</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>40</td>
<td>22</td>
<td>28</td>
<td>10</td>
</tr>
<tr>
<td>Dove</td>
<td>12</td>
<td>8</td>
<td>60</td>
<td>20</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>12</td>
<td>10</td>
<td>55</td>
<td>23</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>44</td>
<td>30</td>
<td>18</td>
<td>8</td>
</tr>
</tbody>
</table>

**Distribution of respondents based on their inclination towards the purchase behavior of different brands of shampoo.**

- **H₀:** There is no significant effect on purchasing different brands of shampoo and customers’ brand loyalty if other marketing factors remain unchanged.
- **H₁:** There is significant effect on purchasing different brands of shampoo and customers’ brand loyalty if other marketing factor unchanged.
ANOVA

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different brands of Shampoo</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3.25916</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>1466.8</td>
<td>3</td>
<td>488.9333</td>
<td>1.622925</td>
<td>0.236048</td>
<td>3.4903</td>
</tr>
<tr>
<td>Error</td>
<td>3615.2</td>
<td>12</td>
<td>301.2667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5082</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation:** As the calculated value of F (1.622925) is less than the critical value of F (3.4903) therefore we will accept the null hypothesis. Hence, we conclude that there is no significant effect on purchasing different brands of shampoo and customers’ brand loyalty if other marketing factors remain unchanged.

**Analysis 13**

**Distribution of respondents based on their inclination towards different brands of shampoo and its different variants on that brand**

H₀: There is no significant effect on purchasing of different brands of shampoo and on its different variants

H₁: There is significant effect on purchasing of different brands of shampoo and on its different variants

<table>
<thead>
<tr>
<th></th>
<th>Shampoo</th>
<th>Conditioner</th>
<th>Shower Gels</th>
<th>Soaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantene</td>
<td>82</td>
<td>18</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sunsilk</td>
<td>67</td>
<td>27</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Dove</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>Fiama Di Wills</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>92</td>
</tr>
<tr>
<td>Clinic Plus</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

ANOVA

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>SS</th>
<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
<th>F crit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different brands of shampoo</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3.25916</td>
</tr>
<tr>
<td>Variants</td>
<td>10174.8</td>
<td>3</td>
<td>3391.6</td>
<td>3.047</td>
<td>0.070105</td>
<td>3.4903</td>
</tr>
<tr>
<td>Error</td>
<td>13355.2</td>
<td>12</td>
<td>1112.933</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>23530</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Interpretation: As the calculated value of F (3.047) is less than the critical value of F (3.4903) therefore we will accept the null hypothesis. Hence, we conclude that there is no significant effect on purchasing of different brands of shampoo on its different product categories.

Analysis 14

Degree of relationship between product quality and price increment and customer awareness on the brand and possibility of usage that brand

<table>
<thead>
<tr>
<th>Correlation Coefficient (r)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality and price increment</td>
</tr>
<tr>
<td>Customer awareness on the particular brand and possibility of usage that brand</td>
</tr>
</tbody>
</table>

Interpretation: It is evident from the results that the correlation coefficient between product quality and price increment is 0.713. Therefore there is a strong relationship between product quality and price increment which interprets that product quality and price are the major factors for building brand values on shampoo. Again the correlation coefficient between customer awareness on the particular brand and possibility of usage of that brand is 0.93. It interprets that if customers are well aware of a particular brand then there is high chance to be used.

Suggestions and conclusion

Based on the findings and keen insight of the study, a number of well-thought suggestions have been made with the aim to improve brand value, brand loyalty and brand equity. They are as follows: (i) brand loyalty depends on the product quality. If product quality degrades then brand loyalty also decreases, (ii) brand loyalty not always depends on price. If price increases up to a reasonable extent brand loyal customers always stick to the same brand provided its quality does not degrade, (iii) In order to increase the customers’ awareness of the different brands much more advertisement materials need to be given, (iv) various promotional offers need to be given to increase brand awareness, (v) distribution channel and logistical services should be perfect so that the product can be available everywhere, eventually which have a significant effect on building brand equity, (vi) different types of product categories in the same brand should be introduced, (vii) customers must be provided with extra services so their behaviour will be changed, (ix) the firm must stay close to the customers. For that focus groups should be used to see real customers’ problems, (x) regular, timely, sensitive, comprehensive, and integrated surveys of customer/satisfaction/dissatisfaction must be conducted in order to understand customers’ feelings, identify the reasons of overall satisfaction change, and adjust products and services.

In summary, brand equity is the total value of all qualities and attributes implied by the brand name that impact the choices customers make. It translates into monetary terms a brand’s power to convince a customer to buy the company’s product. In other words, it represents the brand’s ability to actually shift demand from one product to another. The importance of recognizing and managing brand equity cannot be fully appreciated until we understand not only how equity is formed but also how it affects attitudes and behavior. Marketing managers clearly need to be convinced of brand equity’s impact on the bottom line. This research is a step in that direction.

REFERENCES:


The effective management of working capital can do much to ensure the success of a business, while its inefficient management can lead not only to loss of profits but also to the ultimate downfall. The adequate and timely flow of working capital determines the success of an industry. A positive working capital means that the company is able to pay off its short-term liabilities. However, a negative working capital means that a company is currently unable to meet its short-term liabilities (accounts payable, notes payable, accrued expenses payable, and taxes payable) with its current assets (cash, accounts receivable, inventory, and marketable securities) business’s short-term obligations.

OBJECTIVES OF THE STUDY

The main objective of the present study is to examine the working capital management in the engineering goods industry in Punjab. However, the pinpoint objectives of the study are as follows:

1. Investigate the traditional relationship between the working capital management and profitability of engineering goods industry in Punjab using the panel data set for the period 2006-2011.
2. Analyze the liquidity positions of the sample units and determine if they meet the expected norms.
3. Examine the association between profit ability and sales with working capital.
4. Evaluate the efficiency of cash and long-term debt collection.
5. Assess the effectiveness of working capital management in maintaining survival, liquidity, solvency, and profitability of the concerned business.

Keywords: Working Capital, Liquidity, Profitability
i) To examine the effectiveness of working capital management practices of the engineering goods industries in Punjab by ratio analysis.

ii) To know the association of working capital with sales and profit.

iii) To make suggestions and develop strategies for effective working capital management and to prescribe remedial measures to encounter the problems faced by the industry.

Hypotheses of the Study
On the basis of above mentioned objectives, the following hypotheses in the context of engineering goods industry in Punjab have been developed.

i) Industry under study is facing inadequacy of working capital.

ii) Proper management of working capital improves liquidity and profitability position.

iii) There is a significant relationship between working capital and profitability.

Source of Data
The data for the study have been collected through interviews with the respondents, personal observations, and occasional informal discussion, however, the experience in the collection of primary data was not so encouraging. Various secondary sources from where data has been collected for the present mainly the secondary data was collected from the Officials reports of Directorate of Industries, various magazines, journals, books, websites and newspaper.

Sample Size
According to Directorate of Industries, Punjab, the engineering industry of Punjab has been divided into 8 codes. It is evident from table 1 that eleven groups of engineering units have been selected out of 3951 registered units for present study. Sample units are selected mainly out of code number 28, 29, 31, 34. An intensive and comprehensive survey of industry has been conducted for the last five years. On the basis of concentration of engineering units in the selected districts, proportionate sample has been drawn from the four selected districts of the study state namely; Ludhiana, Jalandhar, Amritsar and Kapurthala, as more than eighty per cent of the engineering goods units are concentrated in these districts only by applying multistage sampling.

<table>
<thead>
<tr>
<th>Code No.</th>
<th>Products</th>
<th>Total</th>
<th>Sample Products</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>Metal products</td>
<td>Steel furniture Safe, Hand tools, Nut bolts agricultural Implements hardware items, utensil</td>
<td>1158</td>
<td>Screw Valve</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Steel Furniture</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Hand Tools</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pipe Fitting</td>
<td>5</td>
</tr>
<tr>
<td>29</td>
<td>Machine except electrical goods radiators investors combines etc. machine tools parts Accessories of non electrical machine</td>
<td>1349</td>
<td>Machine &amp; Machinery Part</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Machine Tools</td>
<td>15</td>
</tr>
<tr>
<td>31</td>
<td>Electrical Goods</td>
<td></td>
<td>152</td>
<td>Electrical Goods</td>
</tr>
<tr>
<td>34</td>
<td>Motor Vehicle &amp;Trailors Parts</td>
<td></td>
<td>45 8</td>
<td>Rail Components</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Motor Vehicles</td>
<td>8</td>
</tr>
<tr>
<td>35</td>
<td>Bicycle Parts, Auto Parts</td>
<td></td>
<td>834</td>
<td>Cycle Parts</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Auto Parts</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>3951</td>
</tr>
</tbody>
</table>

Table 1. Sample Size: Product wise
Tools of Analysis

Apart from using simple arithmetical tools like percentage, simple growth, compound growth and average growth, the statistical techniques like arithmetic mean, standard deviation, co-efficient of variance, linear regression analysis and test of Significance (t-test & $X^2$– test) have also been used. Various accounting and statistical tools which have been used in the present study are discussed in brief as such as Ratio Analysis and Statistical Tools Standard Deviation its Co-efficient of Variation, Linear Regression Analysis, trend Indices and Coefficient of Correlation and simple mathematical tools like; percentage, simple average and compound growth rate have also been used.

Research Gap

The crux of the foresaid predominant studies reveal that the different scholars have approached Working capital management in different way at varying level of analysis. These different approaches no doubt helped in the emergence of more and more literature on the subject over time. A brief review of these diversified efforts in the research field is attempted in the following paragraphs

Sukhdev Singh, Agarwal and Mathuva stress the need of introduction of modern scientific inventory control techniques to improve the operational efficiency and effecting the present level of operational efficiency and opine for the need of re-orientation of Inventory financing. Prasad, Kalchethy, Prasad and Erasi, Neelamgam & lingo, have highlighted the different problem of working capital in small-scale industry.

Dutta, Anita Shukla, Meenakshi Sundram, Kr. Ghosh, Nunn, Santi Gopal Magi, Filbeck, Soenen Greg Schwerer Robert Kieshnick, Abdul Raheman and Mohamad Nasr M. Kannadhasan and Jasmine Kaur T. Chandrabai,

The above mentioned synthetic and adumbrated studies by different scholars give no definite conclusion for specific industry. Moreover, the present study which is in the area of working capital management with special reference to Engineering goods industries in Punjab proposes to take analytical analysis of area not concerned in any form so far and rational approach of Working Capital at operational level. Hence the study of management of Working Capital in Punjab has been undertaken

RESULTS AND DISCUSSION

Current Ratio

It is evident from the table 2 that average current ratio of the industrial units declined from 1.59 in 2006-07 to 1.46 in 2008-09. Average current ratio of units engaged in screw valves was found 1.1 in comparison to 2.32 in hand tools. Further, analysis of table reveals that current ratio of engineering goods units increased over the years except hand tools and steel furniture. Furthermore, the table depicts that the current ratio of all the industrial units was never upto the expected norms 2:1 during the study period which implies that these units are not maintaining adequate amount of liquidity to meet out their current obligations. In hand tools units, current ratio was found higher than accepted norms of 2:1 Standard deviation shuttled between 0.56 in 2006-07 to .23 in 2010-11.

<table>
<thead>
<tr>
<th>Units</th>
<th>Years</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Mean</th>
<th>Compound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td></td>
<td>1.43</td>
<td>1.59</td>
<td>1.531</td>
<td>1.54</td>
<td>1.53</td>
<td>1.49</td>
<td>1.9</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td></td>
<td>1.579</td>
<td>1.563</td>
<td>1.526</td>
<td>1.52</td>
<td>1.41</td>
<td>1.51</td>
<td>-2.5</td>
</tr>
<tr>
<td>Machine &amp; Machinery</td>
<td></td>
<td>1.625</td>
<td>1.722</td>
<td>1.681</td>
<td>1.72</td>
<td>1.71</td>
<td>1.69</td>
<td>1.01</td>
</tr>
</tbody>
</table>
Table 3. Liquid Ratio of Engineering Goods Industry

<table>
<thead>
<tr>
<th>Units</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>Mean</th>
<th>Compound growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>0.64</td>
<td>0.68</td>
<td>0.7</td>
<td>0.72</td>
<td>0.78</td>
<td>0.70</td>
<td>4.63</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>0.92</td>
<td>0.905</td>
<td>0.58</td>
<td>0.59</td>
<td>0.68</td>
<td>0.74</td>
<td>6.11</td>
</tr>
<tr>
<td>Machine &amp; Machinery Parts</td>
<td>0.58</td>
<td>0.64</td>
<td>0.56</td>
<td>0.67</td>
<td>0.7</td>
<td>0.63</td>
<td>8.84</td>
</tr>
<tr>
<td>Hand Tools</td>
<td>1.3</td>
<td>1.1</td>
<td>1.1</td>
<td>1.3</td>
<td>1.19</td>
<td>1.20</td>
<td>30.03</td>
</tr>
<tr>
<td>Rail Components</td>
<td>1.03</td>
<td>.86</td>
<td>.79</td>
<td>0.78</td>
<td>0.79</td>
<td>0.85</td>
<td>-8.86</td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>0.65</td>
<td>.64</td>
<td>.75</td>
<td>0.73</td>
<td>0.75</td>
<td>0.70</td>
<td>-4.52</td>
</tr>
</tbody>
</table>

It is evident from the table 3 that mean liquid ratio of engineering goods industry ranges between 0.76 times in 2006-07 to 0.74 times in 2010-11, which is less than the accepted norms of 1:1 in machine tools and rail components units. Rail components, electrical goods, motor vehicles and machine tools units have shown a negative growth of 8.86, 4.52, 5.58 and 15.46 per cent respectively. Like current ratio, liquid Ratio has also been found less than the accepted norms in all the units under study except hand tools, and steel furniture units.

**Source:** Data Complied from Questionnaire

**Notes:** Figures in parentheses denotes percentage
<table>
<thead>
<tr>
<th>Units</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>Mean</th>
<th>Compound growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pipe Fitting Joints</td>
<td>0.52</td>
<td>.56</td>
<td>0.55</td>
<td>.77</td>
<td>0.79</td>
<td>0.64</td>
<td>8.72</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>0.83</td>
<td>0.787</td>
<td>0.68</td>
<td>0.66</td>
<td>0.68</td>
<td>0.73</td>
<td>-5.58</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>0.73</td>
<td>0.74</td>
<td>0.82</td>
<td>0.8</td>
<td>0.9</td>
<td>0.80</td>
<td>-15.46</td>
</tr>
<tr>
<td>Screw Valves</td>
<td>0.54</td>
<td>.56</td>
<td>0.57</td>
<td>0.59</td>
<td>0.64</td>
<td>0.58</td>
<td>0.1</td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>1.49</td>
<td>0.9</td>
<td>1.5</td>
<td>1.47</td>
<td>0.8</td>
<td>1.23</td>
<td>104.5</td>
</tr>
<tr>
<td>MEAN</td>
<td>0.76</td>
<td>0.80</td>
<td>0.88</td>
<td>0.82</td>
<td>0.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.D.</td>
<td>0.57</td>
<td>0.72</td>
<td>0.86</td>
<td>0.80</td>
<td>0.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.V.</td>
<td>74.73</td>
<td>90.98</td>
<td>97.75</td>
<td>97.63</td>
<td>27.73</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Data Complied from Questionnaire  

**Notes:** Figures in parentheses denotes percentage

**Absolute Liquid Ratio**

Absolute liquid ratio of engineering goods units varies between 0.32 times and 0.37 times during the period under study which is less than the accepted norms of 0.50:1. Table 4 depicts that mean absolute liquid ratio was found highest in hand tools units (0.57) and lowest in cycle parts units (0.14) The mean absolute liquid ratio of auto parts has increased over the years. However, in the case of all other units, the trend of absolute liquid ratio is mixed. To conclude, the analysis holds that the size of current assets and current liabilities has increased at the faster rate than the current assets, hence, the net working capital has dipped to its lowest level towards the end of the study period. Moreover, a wide fluctuation in increase or decrease in the amount of current assets, current liabilities and net working capital on the progressive basis has been recorded. In addition to this, the analysis reveals that engineering goods industry does not enjoy good liquidity position and the industry has failed to achieve the desired liquidity.

**Table 4 Absolute Ratio of Engineering Goods Industry**
Working Capital Turnover Ratio

It has been observed from the table 5 that means working capital turnover ratio of the units under study varies between 10.8 times to 14.7 times. The mean working capital turnover ratio was found highest (19.2 times) in the case of pipe fitting joints and the lowest in the case of hand tools (4.6 times).

Source: Data Complied from Questionnaire, Note: Figures in parentheses denote %

Table 5. Working Capital Turnover Ratio

<table>
<thead>
<tr>
<th>Units</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Mean</th>
<th>C.GR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>14.31</td>
<td>14.45</td>
<td>14.85</td>
<td>14.65</td>
<td>15.11</td>
<td>14.6</td>
<td>1.23</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>16.94</td>
<td>16.85</td>
<td>17.44</td>
<td>15.96</td>
<td>15.82</td>
<td>16.6</td>
<td>-1.89</td>
</tr>
<tr>
<td>Machine &amp; Machinery Parts</td>
<td>7.526</td>
<td>6.051</td>
<td>5.734</td>
<td>5.379</td>
<td>5.187</td>
<td>5.9</td>
<td>-8.26</td>
</tr>
<tr>
<td>Hand Tools</td>
<td>4.423</td>
<td>5.07</td>
<td>4.807</td>
<td>4.505</td>
<td>4.327</td>
<td>4.6</td>
<td>-1.6</td>
</tr>
<tr>
<td>Rail Components</td>
<td>11.37</td>
<td>13.35</td>
<td>13.09</td>
<td>12.57</td>
<td>11.95</td>
<td>12.4</td>
<td>0.39</td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>13.66</td>
<td>19.52</td>
<td>6.541</td>
<td>8.78</td>
<td>8.766</td>
<td>11.4</td>
<td>-15.51</td>
</tr>
<tr>
<td>Pipefitting</td>
<td>25.47</td>
<td>25.61</td>
<td>26.05</td>
<td>9.701</td>
<td>9.448</td>
<td>19.2</td>
<td>-25.57</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>13.4</td>
<td>12.6</td>
<td>12.69</td>
<td>11.79</td>
<td>10.56</td>
<td>12.2</td>
<td>-5.2</td>
</tr>
</tbody>
</table>
### Inventory Turnover Ratio

Table 6 reveals that the mean inventory turnover ratio varies between 7.1 times to 7.2 times, which unfolds that the variation is very less.

#### Table 6. Inventory Turnover Ratio

<table>
<thead>
<tr>
<th>Units</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Mean</th>
<th>C.GR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>7.39</td>
<td>8.203</td>
<td>9.36</td>
<td>9.28</td>
<td>10.3</td>
<td>8.9</td>
<td>8.18</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>10.76</td>
<td>9.87</td>
<td>9.94</td>
<td>8.93</td>
<td>9.027</td>
<td>9.7</td>
<td>-4.4</td>
</tr>
<tr>
<td>Machine &amp; Machinery Parts</td>
<td>4.30</td>
<td>3.87</td>
<td>3.37</td>
<td>3.35</td>
<td>3.408</td>
<td>3.6</td>
<td>-5.9</td>
</tr>
<tr>
<td>Hand Tools</td>
<td>5.31</td>
<td>6.09</td>
<td>5.61</td>
<td>5.50</td>
<td>5.367</td>
<td>5.5</td>
<td>-0.82</td>
</tr>
<tr>
<td>Rail Components</td>
<td>5.62</td>
<td>6.63</td>
<td>7.21</td>
<td>7.75</td>
<td>7.825</td>
<td>7.01</td>
<td>8.4</td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>6.17</td>
<td>5.65</td>
<td>3.79</td>
<td>4.67</td>
<td>4.744</td>
<td>5</td>
<td>-6.92</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5.08</td>
<td>5.47</td>
<td>6.21</td>
<td>5.90</td>
<td>5.54</td>
<td>5.64</td>
<td>2.4</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>6.36</td>
<td>6.04</td>
<td>5.31</td>
<td>5.74</td>
<td>5.622</td>
<td>5.81</td>
<td>-2.95</td>
</tr>
<tr>
<td>Screw Valves</td>
<td>2.49</td>
<td>2.83</td>
<td>3.42</td>
<td>3.71</td>
<td>2.892</td>
<td>3.07</td>
<td>5.8</td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>18.19</td>
<td>17.24</td>
<td>17.21</td>
<td>17</td>
<td>17.53</td>
<td>17.43</td>
<td>-0.87</td>
</tr>
<tr>
<td>S.D.</td>
<td>8.945</td>
<td>8.899</td>
<td>8.101</td>
<td>8.268</td>
<td>7.908</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.V.</td>
<td>59.404</td>
<td>61.057</td>
<td>59.813</td>
<td>55.298</td>
<td>64.059</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Data Complied from Questionnaire  
**Notes:** Figures in parentheses denote percentage
Mean inventory turnover ratio was found highest in the case of steel furniture (17.43 times) while, it is lowest in the case of screw values (3.07 times). Inventory turnover ratios of different units have shown a declining trend during the period under study. Rail components, motor vehicles, screw values and steel furniture have shown a proportionate decrease in sales as compared to inventory which shows that there is a need of efficient inventory management.

**Receivable Turnover Ratio**

Receivable turnover ratio provides information about the liquidity of receivables by indicating the speed with which receivables are converted into cash. Generally, higher the value of receivables turnover ratio, the more efficient is the management of credit and ultimately liquidity position of the firm.

A higher turnover of receivables should be accompanied by prompt collection of receivables in order to maximize profitability. The study of receivable turnover ratio of different industrial units as shown in table 7 reveals that the mean receivable turnover ratio of different units varies between 12.3 times to 15.05 times. Mean receivable turnover ratio was found highest in steel furniture (32.33 times) units while lowest in screw valves (4.8 times) units. Receivables turnover ratio in cycle parts, machine & machinery parts, hand tools, electrical goods, machine tools, steel furniture has declined due to long debt collection period.

Table 7. Receivable Turnover Ratio

<table>
<thead>
<tr>
<th>Units</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Mean</th>
<th>C.GR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>18.9</td>
<td>21.86</td>
<td>21.41</td>
<td>19.8</td>
<td>21.38</td>
<td>20.67</td>
<td>1.48</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>29.43</td>
<td>24.88</td>
<td>20.1</td>
<td>26.8</td>
<td>18.06</td>
<td>23.85</td>
<td>-8.63</td>
</tr>
<tr>
<td>Machine &amp; Machinery</td>
<td>12.34</td>
<td>9.58</td>
<td>9.37</td>
<td>10.5</td>
<td>8.34</td>
<td>10</td>
<td>-6.69</td>
</tr>
<tr>
<td>Machinery Parts</td>
<td>11.57</td>
<td>8.95</td>
<td>7.35</td>
<td>11</td>
<td>5.861</td>
<td>8.9</td>
<td>-10.9</td>
</tr>
<tr>
<td>Hand Tools</td>
<td>10.24</td>
<td>11.80</td>
<td>11.58</td>
<td>11.5</td>
<td>10.98</td>
<td>11.22</td>
<td>1.14</td>
</tr>
<tr>
<td>Rail Components</td>
<td>9.48</td>
<td>5.23</td>
<td>5.91</td>
<td>8.47</td>
<td>5.506</td>
<td>6.9</td>
<td>-5.88</td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>12.38</td>
<td>15.6</td>
<td>14.6</td>
<td>15.8</td>
<td>15.32</td>
<td>14.74</td>
<td>4.48</td>
</tr>
<tr>
<td>Pipe Fitting Joints</td>
<td>11.17</td>
<td>14.1</td>
<td>11.96</td>
<td>12.4</td>
<td>9.724</td>
<td>11.87</td>
<td>-3.97</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>11.9</td>
<td>8.92</td>
<td>8.66</td>
<td>11</td>
<td>7.436</td>
<td>9.58</td>
<td>-7.05</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>4.28</td>
<td>5.61</td>
<td>5.84</td>
<td>4.8</td>
<td>3.78</td>
<td>4.8</td>
<td>-3.96</td>
</tr>
<tr>
<td>Screw Valves</td>
<td>33.94</td>
<td>33.75</td>
<td>32.17</td>
<td>32.4</td>
<td>29.41</td>
<td>32.33</td>
<td>-3.2</td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>17.978</td>
<td>16.044</td>
<td>16.939</td>
<td>17.190</td>
<td>14.780</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEAN</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MEAN</td>
<td></td>
</tr>
<tr>
<td>C.V.</td>
<td>46.331</td>
<td>67.713</td>
<td>73.996</td>
<td>81.083</td>
<td>51.377</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Data Complied from Questionnaire  **Note:** Figures in parentheses denotes percentage
Cash Turnover Ratio

It is evident from the table 8 that means cash turnover ratio of different units varies between 14.7 to 17.9 times. Further, mean cash turnover ratio was found highest in cycle parts (42.5) and lowest in screw values units (6.9). In auto parts and cycle parts units, the mean cash turnover ratio has shown an increasing trend upto 2008-09, before it came down during 2009-10.

Table 8. Cash Turnover Ratio

<table>
<thead>
<tr>
<th>Units</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>Mean</th>
<th>C.GR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>19.45</td>
<td>19.87</td>
<td>23.59</td>
<td>23.08</td>
<td>21.36</td>
<td>21.4</td>
<td>3.42</td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>37.26</td>
<td>46.11</td>
<td>50.47</td>
<td>57.42</td>
<td>21.57</td>
<td>42.5</td>
<td>-8.36</td>
</tr>
<tr>
<td>Machine &amp; Machinery</td>
<td>27.02</td>
<td>21.26</td>
<td>25.56</td>
<td>17.26</td>
<td>15.56</td>
<td>21.3</td>
<td>-12.29</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>12.12</td>
<td>10.16</td>
<td>11.33</td>
<td>12.66</td>
<td>15.18</td>
<td>12.29</td>
<td>6.9</td>
</tr>
<tr>
<td>Machine Tools</td>
<td>13.65</td>
<td>14.05</td>
<td>9.11</td>
<td>11.9</td>
<td>11.32</td>
<td>12</td>
<td>-5.2</td>
</tr>
<tr>
<td>Screw Valves</td>
<td>6.37</td>
<td>6.39</td>
<td>7.79</td>
<td>8.08</td>
<td>5.92</td>
<td>6.9</td>
<td>0.87</td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>13.81</td>
<td>12.6</td>
<td>12.83</td>
<td>13.21</td>
<td>32</td>
<td>16.9</td>
<td>18.8</td>
</tr>
<tr>
<td>C.V.</td>
<td>46.331</td>
<td>67.713</td>
<td>73.996</td>
<td>81.083</td>
<td>51.377</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Complied from Questionnaire

Note: Figures in parentheses denotes percentage

Similarly, cash turnover ratio in machine and machinery parts, hand tools, machine tools, steel furniture and automobile units has also shown a declining trend during the period under study. The compound growth rate was found highest in steel furniture (18.8%) and lowest in pipe fitting (-16.17 %) unit.

Gross Working Capital and Sales: Regression Analysis

Regression test has been used by taking average gross working capital as dependent variable and average sale as independent variable. It is observed that there is a significant effect of sale on the gross working capital at 95% level of significance (Table9).
Table 9. Average Gross Working Capital and Sales: Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Units</th>
<th>Average Gross Working Capital</th>
<th>Average Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>4.3</td>
<td>32.1</td>
<td></td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>2.3</td>
<td>20.1</td>
<td></td>
</tr>
<tr>
<td>Machine &amp; Machinery Parts</td>
<td>1.1</td>
<td>4.73</td>
<td></td>
</tr>
<tr>
<td>Hand Tools</td>
<td>1.9</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Rail Components</td>
<td>1.6</td>
<td>6.86</td>
<td></td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>2.4</td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>Pipe Fitting Joints</td>
<td>0.6</td>
<td>2.83</td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>1.3</td>
<td>5.04</td>
<td></td>
</tr>
<tr>
<td>Machine Tools</td>
<td>0.7</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Screw Valves</td>
<td>0.4</td>
<td>7.05</td>
<td></td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>0.247</td>
<td>3.42</td>
<td></td>
</tr>
</tbody>
</table>

Linear Regression Equation:

\[ Y = 1.464 + 0.176X \]

\[ R \quad R^2 \quad T \text{ value} \quad \text{Sig.} \]

\[ .732 \quad .536 \quad 3.223 \quad .01 \]

**Source:** Computed from Primary Data

Value of \( R^2 \) shows 54% dependency of gross working capital on the sale, thus, showing a moderate correlation between working capital and sales. So null hypothesis is rejected as there is no significant relationship between sales and gross working capital. It has been observed that the sales have increased proportionally at faster rate as compared to gross working capital.

**Gross Working Capital and Profit: Regression Analysis**

To find the effect of profit on the working capital, regression test is applied by taking working capital as dependent variable and profit as independent variable. (Table 10) A significant effect of sale on the inventory at 99 per cent confidence level has been found. Value of \( R^2 \) shows that there is 85 per cent dependency of working capital on the profit. Thus there is moderate correlation between inventory and sales. So null hypothesis is rejected that there is no significant relationship between working capital and profit. It has been observed that the working capital has increased proportionally at faster rate as compared to inventory.
Table 10: Gross Working Capital and Profit: Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Units</th>
<th>Average Gross Working Capital</th>
<th>Average Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Parts</td>
<td>6.09</td>
<td>1.51</td>
<td></td>
</tr>
<tr>
<td>Cycle Parts</td>
<td>3.6</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Machine &amp; Machinery Parts</td>
<td>1.97</td>
<td>0.39</td>
<td></td>
</tr>
<tr>
<td>Hand Tools</td>
<td>4.3</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Rail Components</td>
<td>2.19</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Electrical Goods</td>
<td>7.17</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Pipe Fitting Joints</td>
<td>0.87</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>1.75</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>Machine Tools</td>
<td>3.88</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>Screw Valves</td>
<td>4.84</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Steel Furniture</td>
<td>0.53</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>Linear Regression Equation</td>
<td>R</td>
<td>R2</td>
<td>T value</td>
</tr>
<tr>
<td>Y=.586+4.49X</td>
<td></td>
<td>.922</td>
<td>.851</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>7.165</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>.000</td>
</tr>
</tbody>
</table>

Source: Computed from Primary Data

To sum up significant relationship has been found among current ratio, liquid ratio, working capital turnover ratio, inventory turnover ratio, receivable turnover ratio, cash turnover ratio and operating cycle with working capital in auto parts, cycle parts, machine & machinery parts, hand tools, whereas no significant relationship has been observed in electrical goods, screw valves and steel furniture units.

Conclusion

Current ratio of all the units was never up to the expected norms during the study period which implies that these units are not maintaining adequate amount of liquidity to meet out their current obligations. In hand tools units current ratio was found higher than accepted norms. All turnover ratios of various components of working capital i.e. inventory, receivables and cash have shown a fall in their respective size which shows ineffective working capital management. Inventory has been found main components of working capital followed by receivables and cash. While in financing of working capital, current liabilities have been found the main source of working capital. On applying Regression test a significant effect of sale on the gross working capital has been observed, though there is a moderate correlation between sale and working capital. However, effective measures are required to improve the working capital to match with the sales, as it has increased faster rate as compared to the working capital. A significant effect of profit on the gross working capital has been observed. Further, a positive correlation between profit and working capital has been observed. Regression test is applied by taking working capital as a dependent.
variable and selected ratios as independent variables to know the relation among selected ratio with working capital. Significant relationship has been found among current ratio, liquid ratio, working capital turnover ratio, inventory turnover ratio, receivable turnover ratio, cash turnover ratio and operating cycle with working capital in auto parts, cycle parts, machine & machinery parts, hand tools, whereas no significant relations ship has been observed of these selected ratios with working capital in rest of the concerns. It has been observed that engineering goods units have been functioning without having a sound management accounting system under the control and supervision of a qualified management accountant. The company needs to make SWOT Analysis and frame the business strategy accordingly. During the course of interview and discussion, it has been revealed that there is too much interference of non-finance professionals in day-to-day financial management practices in the organization. It is thus strongly recommended to arrange for periodical workshops/seminars/educational circle on “Finance for Non-Finance Executives” so that they can understand the relevance and importance of financial management.

Suggestions

Excessive investment in working capital assets need to be reduced in favour of long term investments, which have an impact on production capacity and long-term profitability. Continuous evaluation of holding costs of working capital levels is required and corrective action is to be taken to decrease the costs by expediting the turnov rs of inventory, receivables and cash. On working capital levels of financing, costs of bank overdrafts to finance working capital investments need to be evaluated and credit agreements with suppliers is to be established and trade credit should be use as an alternative source of working capital financing.

Most of the units under study failed to observe the norms suggested by the Tandon Committee. To surmount financial difficulties, the units must strengthen their internal resources of finance. It may be added that funds for operations are the best of finance. For better deployment of resources, the firms are required to make frequent use of funds flow statement and cash flow statement.

Liquidity position of engineering industry is not satisfactory as analysed by applying different ratios. It has been observed that profit is declining in electrical goods units, pipe fittings due to decline in sale and bad liquidity position. An immediate attention is required if its quest is to turn the regularly losses incurring unit a profitable one. It is suggested that, the units must adopt objective methods rather than intuitive method for its proper cash management in general and for cash planning and control in particular. For this, the relative blocking of cash in different bank accounts has to be mobilised and at the same time, it is also expected to follow the concept of raising term funds for meeting long term requirement and short-term funds to finance current assets. Furthermore, cash inflows ad outflows must be persistently regularized.

To check the deteriorated condition of liquidity and profitability, it is strongly recommended that internal source of finance must be generated from favorable fund by making operation a profitable venture rather than let it as a loss incurring entity on regular basis. In addition to this, it is also recommended to exploit external source of finance in avoidable circumstances to finance the deficiency not covered by internal sources.

An innovative approach, combining operational and financial skills and an all-encompassing view of the company's operations will help in identifying and implementing strategies that generate short-term cash. This can be achieved by having the right set of executives who are responsible for setting targets and performance levels and should be held accountable for delivering, encouraged to be enterprising and to act as change agents. Effective dispute management procedures in relation to customers will go along way in freeing up cash otherwise locked in due to disputes. It will also improve customer service and free up time for legitimate activities like sales, order entry and cash collection and hence overall, efficiency will increase due to reduced operating costs.
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Financial Inclusion in India-A Long Way to Go

Himanshu Puri*

ABSTRACT

Financial Inclusion has become the buzzword now but in India it has been practiced for quite sometime. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Government of India has constituted various committees to enhance financial inclusion in India. RBI has made efforts to make commercial banks open branches in rural areas. Priority sector lending was instituted to provide loans to small and medium enterprises and agricultural sector. Further special banks were set up for rural areas like Rural Cooperative Banks, Regional Rural Banks etc. The government has also set up national level institutions like NABARD and SIDBI to empower credit to rural areas and small and medium enterprises. Despite the rural policy-push, majority of the population still continues to be financially excluded. This paper is an attempt to comprehend the current scenario of financial inclusiveness in the context of a developing country like India wherein a large population is deprived of the financial services which are very much essential for overall economic growth of a country. This paper assesses financial inclusion in India based on certain indicators selected for the study and also provides numerous suggestions to increase the same. It becomes necessary for an economy to focus on financial inclusion, as an efficient financial systems helps in the development of the economy.

Keywords: Financial Inclusion, Financial Exclusion, Financial System, Banks, RBI, India

INTRODUCTION

A well functioning financial system empowers individuals, facilitates better integration with the economy, actively contributes to development and provides protection against economic shocks. And that well established financial system can be build through securing savings, appropriately priced credit and insurance products, and payment services helping vulnerable groups such as low income groups, weaker sections, etc., to increase incomes, acquire capital, manage risk and work their way out of poverty. As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination should be the prime objective of the public policy. Financial inclusion is delivery of banking services at an affordable cost to the vast sections of underprivileged and low income groups. We have a long way to go in addressing concerns of absolute poverty. Low-income Indian households in the informal or subsistence economy often have to borrow from friends, family or usurious moneylenders. They have little awareness and practically no access to insurance products that could protect their financial resources in unexpected circumstances such as illness, property damage or death of the primary breadwinner. By financial inclusion, the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services, by the formal financial system to those who tend to be excluded can be made. For the development of the formal financial system in India, the need for financial inclusion and covering more and more of the excluded population by that system is of key importance which needs to be consciously emphasized upon. Though, the
The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segments of the population, especially the underprivileged sections of the society into the fold of basic banking services. And thus there is a die-hard need to go for the financial inclusion in our economy. An all-inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe saving practices and by facilitating a whole range of efficient financial services. The present paper tries to understand the basic concept behind the financial inclusion along with describing its need and importance for an economy. The paper also access the financial inclusion in India based on certain indicators like Number of branches of Scheduled Commercial Banks, Number of Bank Offices in India, Population per office, Aggregate deposits and credit of Scheduled Commercial Banks in India, Deposits and credit of Scheduled Commercial Banks per office, Scheduled Commercial Banks’ advances to priority sector etc. for 10 years of data. In the end, the study also tries to provide some useful suggestions to improve the inclusiveness.

OBJECTIVE OF THE STUDY

The broad objectives of the paper are:

- To understand the basic concepts of financial inclusion and exclusion
- To access the financial inclusion in India by using the parameters selected for the study
- To provide some useful recommendation and suggestions for improving the financial inclusiveness in India

REVIEW OF LITERATURE

There have been many past studies relating to financial inclusion in India. Eastwood and Kohli (1999) find evidence that the branch expansion program and directed lending program in India has enhanced growth. Bell (1990) and Kochar (1997) claim that the role of commercial banks in promoting rural development has been limited. Some more of such studies that helped in understanding the financial inclusion are:

Rajan and Zingales (1998) examined whether financial development facilitates economic growth by scrutinizing one rationale for such a relationship; that financial development reduces the costs of external finance to firms. They find this to be true in a large sample of countries over the 1980s.

Remenyi and Quinones (2000) studied effects of financial inclusion in many countries and found 12.9%, 29.3%, 15.6% and 46% rise in annual average income of financially included through micro credit in Indonesia, Bangladesh, Sri Lanka and India respectively. These figures for the financially excluded (control group) were 3%, 22%, 9% and 24% respectively.

Nair (2000) in his study has documented the rapid increase in the Indian rural branch network and rural credit and savings share after bank nationalization in 1969, and the subsequent slowdown post 1990.

Toxopeus and Lensink (2007) presented single equation estimates on remittances and financial inclusion and system estimates in which economic growth is explained by financial inclusion and financial inclusion by remittances inflows. The result shows that remittances have a development impact through their effect on financial inclusion.

Mohan (2009) assessed financial inclusion in India and provided way out to what can be done to increase inclusion as an important component of India’s overall economic growth strategy. As per the author, steps that need to be taken include reducing the costs incurred by lenders when serving rural communities by setting up credit information bureaus, developing risk assessment techniques, adopting new technologies and utilizing business facilitators and correspondents to increase outreach.

Sarma (2010) proposed a multidimensional index of financial inclusion (IFI). The proposed IFI captures information on various dimensions of financial inclusion in one single number lying between 0 and 1, where 0 denotes complete financial exclusion and 1 indicates complete financial inclusion in an economy.
FINANCIAL INCLUSION AND EXCLUSION

Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee 2008). The financial services include the entire gamut of savings, loans, insurance, credit, payments etc. It ensures the ease of access, availability and usage of the formal financial system for all members of an economy. Financial Inclusion has emerged as a tool for the socio-economic development of the society. The basket of financial services under financial inclusion will create an opportunity to capture the underserved market fulfilling corporate social responsibility thereby driving the economic growth of the country. The financial system has to provide its function of transferring resources from surplus to deficit units but both deficit and surplus units should also be those with low incomes, poor background etc. By providing these services, the aim is to help them come out of poverty. So far, the focus has only been on delivering credit (it is called as microfinance but is microcredit) and has been quite successful. However, financial inclusion is not only limited to opening of bank accounts but also the banking education is required to make use of banking facilities and products to better manage their money and capabilities.

Financial exclusion is the opposite of financial inclusion. It is those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system. The lack of access by certain segments of the society to appropriate, low-cost, fair and safe financial products and services from mainstream providers actually results in financial exclusion. Financial exclusion is thus a key policy concern. The literature identifies five major forms of financial exclusion – access exclusion, when exclusion occur due to conditions that are inappropriate for some people; price exclusion, when the exclusion happens due to unaffordable prices of financial products; marketing exclusion, when exclusion occurs due to targeted marketing and sales of financial products and self-exclusion, that takes place when certain groups of people exclude themselves from the formal financial system owing to fear of refusal or due to psychological barriers.

Financial Inclusion Lifecycle

The first step of Financial Inclusion is to educate customers and open an account. However, merely opening a bank account for a poor individual is not financial inclusion. This approach generally results in an inactive account or, at best, a repository for government benefits. A three-step approach is required to bring financially underserved individuals into a financially inclusive society. After improving financial literacy and opening an account of some form, it is usage of that account, linkage with other financial services and access to all the financial instruments that are required to complete the financial inclusion lifecycle. Optimum utilization of an account should be another target for banking service providers.

Step 1: Financial Literacy

To begin the financial inclusion process, one needs to understand financial products, usage, operation and management of accounts. As defined by the Reserve Bank of India (RBI), financial education is “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

Step 2: Opening a Bank Account

Opening a bank account is the second step towards financial inclusion. It provides access to financial facilities for the financially underserved through
formal sources of banking. Financial services providers, technology service providers and regulators are the functioning participants in the system.

Step 3: Delivering Financial services

The cost of delivery of service is considered to be the bottleneck in the value chain because, for the very consumer, anything but very low transaction costs are not feasible. Currently, the favored delivery channel for microfinance and microcredit is via the business correspondent (BC) model, whereby an agent (who may or may not be a direct employee of the financial institution) personally travels within a wide geographical area to enroll customers, delivers loans, and collects repayments.

Major Roadblocks to Financial Inclusion

There are certain underpinning problems of financial inclusion which are briefly stated as under:

1. Poverty: Poverty hinders the inclusiveness of any economy. Person with the low income cannot buy financial products and services with his inadequate income. As the poverty level decreases financial inclusion also increases.

2. Ignorance: Low level of awareness and understanding of products caused by lack of appropriate marketing or low level of financial literacy is another major road block.

3. Geographic Environment: With lack of infrastructure to cover the vast geographical spread of the rural areas with more than half a million villages is difficult to achieve and because of that there has been uneven distribution of the banking services in terms of population coverage.

4. Cultural and Psychological barriers: Barriers such as language, perceived / actual racism and suspicion or fear of financial institutions is also an obstructing factor.

5. Bankers’ Aversion for Financial Inclusion: Even though no banker openly expresses his aversion for the financial inclusion process, overtly it can be noticed that they are averse to it in view of the cost aspects involved in opening of no frill accounts.

NEED FOR FINANCIAL INCLUSION

The need for financial inclusion is especially important today as India’s rural economy has shifted towards more commercialized agriculture and non-agricultural activities, both of which require banking facilities. Increasingly, in developing countries access to finance is positioned as a public good, which is as important and basic as access to safe water or primary education. Theoretical knowledge and empirical observation acknowledge that access to financial services allows the poor to save money, prevents concentration of economic power with a few individuals and helps in mitigating the risks that poor face as a result of economic shocks. Hence, providing access to financial services is increasingly becoming an area of concern for the policymakers for the obvious reason that it has far reaching economic and social implications. It is known that financial exclusion leads to non-accessibility, non-affordability and non-availability of financial products. Limited access to funds in an underdeveloped financial system restricts the availability of their own funds to individuals and also leads to high cost credit from informal sources such as moneylenders. Due to lack of access to a bank account and remittance facilities, the individual pays higher charges for basic financial transactions. Absence of bank account also leads to security threat and loss of interest by holding cash. All these impose real costs on individuals. Prolonged and persistent deprivation of banking services to a large segment of the population leads to a decline in investment and has the potential to fuel social tensions causing social exclusion. Thus, financial inclusion is an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in the country.

FINANCIAL INCLUSION IN INDIA

At present, the number of branches of scheduled commercial bank in India is 90,263 (2011); which has increased from 8,700 since 1969, after a number of banks were nationalized. Out of these, only 33,400
approx branches are in the rural hinterland where almost 70 per cent of Indians live. Almost 37 per cent of banks have branches in rural India and 40 per cent of the country’s population has bank accounts. In India the focus of the financial inclusion at present is confined to ensuring a bare minimum access to a savings bank account without frills to all. The Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase banking penetration in the country. The Reserve Bank of India (RBI) has initiated several measures to achieve greater financial inclusion, such as facilitating 'no-frills' accounts and “General Credit Cards” for low deposit and credit. The government has also set up a Committee on Financial Inclusion under the chairmanship of the ex-governor of the Reserve Bank of India (RBI), Dr. C Rangarajan, to study the pattern of exclusion, identify barriers, review international experience and provide recommendations for achieving the objectives of financial inclusion. About 70 per cent of the population lives in villages, a fraction lower as compared to the post independence (in 1947) figure of 75 percent. The vast majority of this group – a full 65 percent of the population – is employed in agriculture. For financial inclusion policy makers, this fact emphasizes the importance of financial facilities being made available to the unorganized primary sector, particularly agriculture and agro-based industries. Small investments such as seeds, fertilizers, pesticides create demand for microcredit for small and medium sized farmer households. Non-farming household’s dependent on unskilled activities, including landless labour, construction workers and farm product processing workers, are also underserved by formal sources of finance due to low income. “The Report of the Committee on Financial Inclusion” (January 2008) stated that 72.7 percent of India’s 89.3 million farmer households are excluded from formal sources of finance. The government of India’s National Rural Financial Inclusion Plan (NRFIP) has set a target to achieve complete financial inclusion by 2015. The plan aims to serve fifty percent of the financially excluded population by 2012 through regional and semi-urban branches of commercial and regional rural banks. To help achieve these goals, two funds of about US$125 million each have been allocated – the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF). The objectives of the FIF is to support “developmental and promotional activities” with a view of securing greater financial inclusion, particularly among weaker sections, low-income groups and in under developed regions and hitherto unbanked areas. In matching the FIF with the Financial Inclusion Technology Fund (FITF), the government has given equal importance to the development of technology that can provide scalable and sustainable solutions for inclusive growth.

Table 1: Various statistics relating to financial inclusion

<table>
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<tr>
<th>Indicators/Years</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tr>
<td>Number of branches of Scheduled Commercial Banks</td>
<td>66190</td>
<td>66535</td>
<td>67188</td>
<td>68355</td>
<td>69471</td>
<td>71839</td>
<td>76050</td>
<td>80547</td>
<td>85393</td>
<td>90263</td>
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<tr>
<td>Number of Bank Offices in India</td>
<td>68195</td>
<td>68500</td>
<td>69170</td>
<td>70373</td>
<td>71685</td>
<td>74346</td>
<td>78666</td>
<td>82794</td>
<td>87768</td>
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<tr>
<td>Population per Office (in thousands)</td>
<td>15</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>14.5</td>
<td>13.8</td>
<td>13.4</td>
</tr>
<tr>
<td>Aggregate deposits of Scheduled Commercial Banks in India (Rs. crore)</td>
<td>1131188</td>
<td>1311761</td>
<td>1504416</td>
<td>1700198</td>
<td>2109049</td>
<td>2611934</td>
<td>3196940</td>
<td>3834110</td>
<td>4492826</td>
<td>5207969</td>
</tr>
<tr>
<td>Bank credit of Scheduled Commercial</td>
<td>609053</td>
<td>746432</td>
<td>840785</td>
<td>1100428</td>
<td>1507077</td>
<td>1931190</td>
<td>2361913</td>
<td>2775549</td>
<td>3244788</td>
<td>3942082</td>
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### Table 1

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<th>Indicators/Years</th>
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<td>Banks in India (Rs. crore)</td>
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<tr>
<td>Deposits of Scheduled Commercial Banks per office (Rs. lakh)</td>
<td>1659</td>
<td>1925</td>
<td>2265</td>
<td>2574</td>
<td>3047</td>
<td>3675</td>
<td>4344</td>
<td>4980</td>
<td>5479</td>
<td>5770</td>
</tr>
<tr>
<td>Credit of Scheduled Commercial Banks per office (Rs. lakh)</td>
<td>893</td>
<td>1143</td>
<td>1330</td>
<td>1700</td>
<td>2209</td>
<td>2757</td>
<td>3222</td>
<td>3615</td>
<td>3983</td>
<td>4367</td>
</tr>
<tr>
<td>Scheduled Commercial Banks’ Advances to Priority Sectors (Rs. crore)</td>
<td>177718</td>
<td>218251</td>
<td>276621</td>
<td>370603</td>
<td>512790</td>
<td>655317</td>
<td>781476</td>
<td>908929</td>
<td>1091574</td>
<td>1337333</td>
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**Source:** Central Statistical Organization and Basic Statistical Returns of Scheduled Commercial Banks, RBI

Table 1 depicts some of the banking sector indicators that show the inclusiveness in the economy. The indicators like Number of branches of Scheduled Commercial Banks and Number of Bank Offices in India represent the reach of our banking sector which is growing year by year. The no. of branches of schedule commercial banks is 90263 in 2011 in comparison to just 66190 in 2002. The population per office is often constant and at times decreasing since 2003 from 16000 to 13400 (Approx.) people per office. The indicators like Aggregate deposits and credit of Scheduled Commercial Banks in India, and Deposits and credit of Scheduled Commercial Banks per office are all showing the positive increase every year. The advances to priority sector by commercial bank have also increased from 177718 cr. to 1337333 cr. in 2011 making a good amount of development. Apart from so many achievements in the banking sector which is the backbone for the inclusion process, the economy is not able to achieve the sufficient level of inclusion. Because of this, financial inclusion in India is characterized by the following:

1. Lower outreach by financial institutions/MFIs/SHG Bank Linkage.
2. Priority Sector lending norm of 18% advances to agriculture has not been met many a times.
3. Financial inclusion is characterized primarily as either general access to loans (mostly consumption or consumer loans rather than livelihood loans) or access to savings accounts. Very few risk management and vulnerability reducing products are available to small holder producers.
4. Access to finance is primarily a bridging resource for many low income groups.

**Financial inclusion: India scores poorly on global stage**

India had scored poorly on financial inclusion parameters when compared with the global average. In the World Bank April 2012 study, which had shown half of the world’s population held accounts with formal financial institutions. The study said only nine per cent of the population had taken new loans from a bank, credit union or microfinance institution in the past year. In India, only 35 per cent have formal accounts versus an average of 41 per cent in developing economies. India also scored poorly in respect of credit cards, outstanding mortgage, health insurance, adult origination of new loans and mobile banking. “Financial inclusion remains a substantially unfinished agenda”. Latest figures indicate that there are over 110,000 business correspondents employed, which is not a large number in context of the number of banked villages. However, the regulator said, they have taken several initiatives to make financial inclusion high on the agenda of Indian banking in the recent years. RBI
also adopted the information, communication, technology-based agent bank model through BCs for door-step delivery of financial products and services since 2006. However, in its annual report, RBI said the BC model has not been effective in addressing financial inclusion needs. As per RBI, “The model, by itself, cannot serve the financial inclusion objective. It cannot substitute the services and the customer confidence that the brick and mortar bank branches provide”.

Long way to go for India

As indicated above, while India has made enormous strides towards greater financial inclusion, but there is a long way to go for India; about 500,000 villages are yet to be provided with banking services. The situation is still worst in comparison to other developing economies. The hurdles like poverty, illiteracy, unemployment etc. have to be curbed simultaneously to achieve better results of inclusiveness. The financial inclusion for the underprivileged will lead to hosts of downstream opportunities with an estimated 500,000 jobs for the participants to work as BCs at remote villages. In a networked India in which banking services are extended to all villages, ultimately, a so-called model will emerge where customers will have the option to transact with the bank of their choice in any village by using UID (unique identity)-enabled micro-ATMs (automated teller machines), reducing the dependence on cash and lowering transaction costs. The task is gigantic, but definitely achievable by following a systematic approach by our financial system.

RECOMMENDATIONS AND SOLUTIONS

The following recommendations and solutions are suggested to improve the financial inclusion in India:

1. Leveraging technology for furthering financial inclusion will help in achieving the inclusion objectives. Technology will facilitate in spreading the reach of financial services to masses. The use of IT enables banks to handle the enormous increase in the volume of transactions. One of the often stated reasons for slow pace of financial inclusion has been the hassles involved in opening of bank accounts and availing of loans from financial institutions due to the long process of documentation. To overcome this, there is a need to digitize the public records for dual purpose of easy accessibility and storage which can be achieved through technology.

2. Improvements in rural infrastructure in terms of availability of electricity, improvement in connectivity through provision of roads and telecommunications, are expected to lead to better overall supply chain management, enhance productivity of physical resources. These developments would lead to much greater demand for banking activity in rural areas and will also make it easy for the product/service provider to render its offering.

3. There is a strong need to restructure the financial system particularly the rural financial system by advising banks to open a basic banking ‘no frills’ account and creating synergies between the formal and informal segments. And moreover encouraging penetration into unbanked and backward areas and encouraging agents and intermediaries such as NGOs, MFIs, and business correspondents (BCs). Bank Branches are required to be increased as it has a direct impact on the progress of financial inclusion.

4. Emphasis on financial literacy and credit counseling needs to be lifted up. Involving educational institutions for financial inclusion drive would not only be cost effective but also would create wide public awareness. A subject on microfinance and financial inclusion should be added in the curriculum.

5. Financial Inclusion drive should not be short-lived; instead a systematic effort should be structured by establishing FCCs (Financial Counseling Centers).

6. There should be the effort of all the concerned
(particularly the financial institutions) to develop these poor people as prospective customers. Building client capacities would definitely help all the stakeholders and would lead to a vibrant financial system.

7. Reserve Bank of India in consultation with NABARD should come out with a comprehensive strategy for revitalizing the quiescent rural credit mechanism. It is also imminent for the regulators to encompass the socially excluded sections and the poor like, tenant farmers, oral lessees and share croppers, marginal farmers with small uneconomical land holdings, agricultural laborers, rural artisans and people involved in making handicrafts and also majority of weavers in handloom Sector. NABARD has to play an important role by partnering with the rural credit institutions in the field and identify new initiatives that will contribute to effectively improving the extent of financial inclusion involving SHGs, MFIs, etc.

8. A proactive role has to be played by government in facilitating Financial Inclusion. Issuing official identity documents for opening accounts, creating awareness and involving district and block level functionaries in the entire process, undertaking financial literacy drives are some of the ways in which the State and district administration have to be involved.

9. It should be the endeavor of all the financial institutions and banks to adopt financial inclusion as a corporate social responsibility and chalk out strategies in tune with the national policy on financial inclusion.

CONCLUSION

In country like India, with diverse social and economic profiles, financial education is particularly relevant for people who are resource poor and who operate at the margin and are vulnerable to persistent downward financial pressures. Financial Inclusion has far reaching consequences, which can help many people come out of abject poverty conditions. The objective of financial inclusion is to extend the scope of activities of the organized financial system to include within its ambit people with low incomes. There is a great need to have easy access to formal financial systems for poor so that they can get into the banking habit. Banks are required to innovate and devise newer methods of including such customers into their fold. There is growth in credit demand, the banks need to mobilize resources from a wider deposit base and extend credit to activities hitherto not financed by banks. The micro-credit and the Self Help Group movements are in their infancy and they still need to gather force. There has been a burst of entrepreneurship across the country, spanning rural, semi-urban and urban areas. This has to be nurtured and financed. There is a need for coordinated action between the banks, the Government and others to facilitate access to bank accounts amongst the financially excluded. Financial inclusion will strengthen financial deepening and provide resources to the banks to expand credit delivery. To sum up, financial inclusion is the road that India needs to travel toward becoming a global player. Inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process.

REFERENCES

INTRODUCTION
Advertising is not only an essential part of marketing communication but also the most debatable one. Marketers are always stormed with the questions on advertising ranging from what to spend online to why should such amounts be sanctioned to them? More controversies are attracted in case of online advertising since it is a dimension which has acquired magnitude that is unimaginable. Online world is intriguing. It has various dimensions to it. Out of the three sources of revenue for the websites viz. products, services and advertising space, Advertising Space is considered the most significant one. The need to justify the expenditure incurred in online advertising is even higher, since there is no proven past data substantiating it. The paper tries to study the perceptions of marketers towards online advertising and some ethical aspects. Role of e-commerce in marketing communication cannot be undermined since the number of internet users has reached 2 billion mark worldwide in 2011 as compared to 250 million in the year 2000. With so many people online and more joining in everyday, Internet serves as an effective tool to reach them by exploiting the various amazing advantages provided by it. The urgency to gain customer attention is even more online and hence the lure of using some unethical online advertising practices is considered more, even though the customers have explicitly expressed that they find them problematic.

REVIEW OF LITERATURE
The researchers and research agencies in different countries have undertaken studies related to Online Advertising. The studies reviewed in this section have been selected to bring to light various features related to Advertising on the web. These include studies conducted by HotWired Inc and Millward Brown International (1996), Doyle, Minor and Weyrich (1997), Mbinteractive (1997), E-valuation research(1999), etc.

HotWired Inc and Millward Brown International conducted the HotWired 1996: Advertising effectiveness study to examine whether banner ads
also work in the traditional sense. The study tested a single exposure to an advertisement at three pre-existing levels of advertising weight, which ranged from a brand that had never been advertised on the web to a brand whose advertisement was ubiquitous. For this purpose the HotWired users were studied and it was found that the banner ads made a significant impact on their viewers. An impact that demonstrably built the advertised brand, even upon first impression. Every ad impression is important.

Banner Ad Placement study conducted by Kim Doyle, Anastasia Minor and Carolyn Weyrich for www.webreference.com (1997) to determine if location played an important role in click-through rates. Online visitors at webreference.com were studied for the purpose. They found that Ads next to the right scroll bar (in the lower right hand corner of the screen) generated a 228% higher click-through rate than ads on the top of the page; Ads placed 1/3 down the page, as opposed to the top, generated 77% higher click-through rates; results from placing two ads on a page (at top and bottom) were inconclusive.

Mbinteractive(1997) conducted the Internet Advertising Bureau(IAB) online advertising effectiveness study in United States in order to value the advertising impact of online communications, since much of what is known and predicted about the medium is within the context of direct marketing. Also, to provide data in a form that tested the medium's ability to move the traditional marketing communication measures of advertisement awareness, product attribute communication and purchase intent.

For this purpose the web customers of CNN, CompuServe, ESPN SportsZone, Exite, Geosites, HotWired, Looksmart, Lycos, Mac World, National Geographic online, Pathfinder and Ziff-Davis were studied. The responses were measured on a five point scale ranging from “strongly in favor of” to “strongly against”.

The study revealed in the first place that consumer awareness of online advertising is comparable to that of traditional media. Secondly, online advertising dramatically increases advertisement awareness after only one exposure. Thirdly, web advertising boosted awareness of advertised brands and it provided significant brand communication power. Fourthly, online advertising had the potential to increase sales and online advertising was more likely to be noticed than TV advertising. Finally, click-throughs were not necessary for impactful brand communication; in fact, click-throughs didn’t add very much.

A study was conducted by E-Valuations Research(1999) on ‘Inside the heads of online consumers’ to measure the impact of online ads ‘beyond click throughs and without cookies’. For this purpose 40,000 web users in US (Seattle) were studied. The findings were that more often an ad is experienced, more likely its message will be retained. Ad-recall rates were higher among the users under 35 years of age. Consumers who viewed an ad were 3 times more likely to purchase the advertised brand than those who didn’t remember seeing online ad campaign. Purchase intent was as high as 45% among those who recalled an online ad. Brand awareness of new names was greater than the established names. Intent to purchase advertised online brands was a little higher than that of advertised offline brands mainly due to easier access of online brands. Intent to purchase new brands that advertised online was also a little higher than that of offline brand.

Computer Economics (1999) in its article ‘Online Advertising, One Size doesn’t Fit All’ with the objective of studying advertisements run on 6 niche market sites in US. It found out that marketers were not taking full advantage of web’s targeting capabilities by neglecting the niche market like ethnic groups and women. Majority of advertising placed on sites featuring women-targeted content was not tailored for audience. Also of the other niche sites studied, over half the advertisements were generalized mass-market ads with no particular target. Ernst and Young’s first online retailing survey showed that majority of online shoppers were women. Women made up for 46% of Internet users in US as per e-marketer’s e-User and Usage report.
NetSmart America reported, 58% of new internet users in US were women and at these growth levels, women would lead men in Internet access in the time to come.

**RESEARCH METHODOLOGY**

**NEED AND OBJECTIVES OF STUDY**

The research on marketers is always interesting to decipher, since it offers them insight into what their opinion or perceptions are. Advertising is an integral part of marketing communicating to the desired audience, especially with the increase in the number of mediums. Online advertising has stood the test of time, even when the dot coms were busting, but do they work? The marketers are perplexed by the paucity of response towards the e-commerce transactions and are trying to balance the available monetary funds. The study tries to answer the same by evaluating their responses towards various aspects of online advertising through statements framed for the purpose. The specific objectives of the study are:

i) To study the marketers perceptions towards online advertising in particular.

ii) To enlist the unethical online advertising practices and to evaluate some of their responses as adhering to ethical advertising or not

The objective of the research paper required the study of marketers, whose decisions and perspectives mattered and hence the universe comprised of the key marketing functionaries in the organizations viz., the CEOs, Chief Marketing Officers and top level marketing professionals.

A structured questionnaire with closed ended questions was administered to 51 marketers, who were either interviewed personally or through e-questionnaire.

**FINDINGS**

World Wide Web as a medium of advertising is being used extensively. Advertising also forms major part of the revenue stream for the web sites, so it necessitates the need to study the perception of marketers regarding the same.

The objectives are studied through the set of statements framed for the purpose. The online advertising faces competition from the traditional advertising.

**World Wide Web as a Medium of Advertising**

Medium of advertising have been increasing in number, we have newspapers, T.V., banners, hoardings, cinema halls etc. and now a new dynamic medium i.e. the web which can be customized as per the needs of the target audience has come into being. Web as a medium of advertising has huge potential to be used extensively. Marketers were asked to provide their Agreement level regarding web as a medium of advertising. Table A presents the response of the respondents as regards these 11 statements and their corresponding WAS.

Of these eleven statements, seven were rated of Slight Agreement and the other four of Least Agreement, i.e. Agreement in none of the cases was high or moderate.

A very strange inference emerges where by at one place they say that building customer loyalties is my top priority and here they agree with the statement that, “Satisfaction guaranteed” or “money back guarantee” are typically made as a part of an overall sales pitch, just to attract people, I need not mean them” (WAS 3.76). This might be the reason why the web is taking long to get people comfortable.

Marketers feel that people are comfortable gleaning information about products and services, so thereby they feel that they would appreciate that ‘comparative prices of the various products should be given to make the shopping experience easier’, (WAS 3.67). The marketers also experience an increase in sales by practicing online advertising (WAS 3.61).
Table A: World Wide Web as a Medium of Advertising.

<table>
<thead>
<tr>
<th>No. of respondents Statements</th>
<th>SA</th>
<th>A</th>
<th>NAND</th>
<th>D</th>
<th>SD</th>
<th>WAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements of Slight agreement level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) &quot;Satisfaction guaranteed “ or “money back guarantee” are typically made as a part of an overall sales pitch, just to attract people, I need not mean them.</td>
<td>18 (35.29)</td>
<td>17 (33.33)</td>
<td>7 (13.73)</td>
<td>4 (7.84)</td>
<td>5 (9.80)</td>
<td>3.76</td>
</tr>
<tr>
<td>b) Comparative prices of the various products should be given to make the shopping experience easier.</td>
<td>8 (15.69)</td>
<td>24 (47.06)</td>
<td>14 (27.45)</td>
<td>4 (7.84)</td>
<td>1 (1.96)</td>
<td>3.67</td>
</tr>
<tr>
<td>c) Online advertising has the potential to increase sales.</td>
<td>4 (7.84)</td>
<td>30 (58.82)</td>
<td>10 (19.61)</td>
<td>7 (13.73)</td>
<td>0 (0)</td>
<td>3.61</td>
</tr>
<tr>
<td>d) In the era of web, it is better to concentrate on customer service rather than advertising.</td>
<td>14 (27.45)</td>
<td>6 (11.76)</td>
<td>26 (50.98)</td>
<td>5 (9.80)</td>
<td>0 (0)</td>
<td>3.57</td>
</tr>
<tr>
<td>e) I think most customers in future would locate the company through the internet as opposed to the print ads.</td>
<td>11 (21.57)</td>
<td>18 (35.29)</td>
<td>11 (21.57)</td>
<td>10 (19.61)</td>
<td>1 (1.96)</td>
<td>3.55</td>
</tr>
<tr>
<td>f) Click-throughs are necessary for the impactful brand communication</td>
<td>4 (7.84)</td>
<td>26 (50.98)</td>
<td>14 (27.45)</td>
<td>7 (13.73)</td>
<td>0 (0)</td>
<td>3.53</td>
</tr>
<tr>
<td>g) Pop-ups boosts the awareness of advertised brands.</td>
<td>4 (7.84)</td>
<td>23 (45.10)</td>
<td>20 (39.22)</td>
<td>3 (5.88)</td>
<td>1 (1.96)</td>
<td>3.51</td>
</tr>
<tr>
<td>Statements of Least agreement level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>h) Customers have accepted online advertising in the same way as traditional.</td>
<td>0 (0)</td>
<td>16 (31.37)</td>
<td>15 (29.41)</td>
<td>18 (35.29)</td>
<td>2 (3.92)</td>
<td>2.88</td>
</tr>
<tr>
<td>i) I feel the customer’s intent to buy an online advertised brand is higher than that of an offline advertised brand.</td>
<td>1 (1.96)</td>
<td>6 (11.76)</td>
<td>25 (49.02)</td>
<td>17 (33.33)</td>
<td>2 (3.92)</td>
<td>2.75</td>
</tr>
<tr>
<td>j) I spend a considerable part of my advertising budget on online advertising.</td>
<td>5 (9.80)</td>
<td>8 (15.69)</td>
<td>9 (17.65)</td>
<td>22 (43.14)</td>
<td>7 (13.73)</td>
<td>2.65</td>
</tr>
<tr>
<td>k) Customers note online ads more than the T.V.ads.</td>
<td>0 (0)</td>
<td>8 (15.69)</td>
<td>10 (19.61)</td>
<td>28 (54.90)</td>
<td>5 (9.80)</td>
<td>2.41</td>
</tr>
</tbody>
</table>
The marketers least agree with the fact that ‘they spend a considerable part of their advertising budget on online advertising’, (WAS 2.65) which shows that online advertising is not much relied upon by the marketer and still other media of advertising are preferred by them. They do not agree with the statement that, ‘Customers note online ads more than the T.V. ads’, (WAS 2.41), i.e. they feel that customers are more comfortable with the Advertisements on the television. The marketers feel that T.V. ads still rule the roost and the customers do not note online ads more than TV ads.

The marketers realize that ‘it is better to concentrate on customer service rather than advertising’, ‘pop-ups’ aids in brand communication’ and to make it impactful ‘click through’ is required.

The analysis shows that ethical advertising should be followed on the internet as well because the strong agreement with the statement “Satisfaction guaranteed “ or “money back guarantee” are typically made as a part of an overall sales pitch, just to attract people, I need not mean them”, is a very discouraging finding. This shows that though the marketers realize that the customers hold a stronger position now, but it seems that they are more interested in attracting rather than retaining them, which might get them short term gain but can never get them success in the long run. Unethical advertising like advertorials, pop-ups, etc were also considered favorable by the marketers, which have been labeled problematic by experts. Though a the face value, providing ‘comparative prices’ is required and not considered a problem, but where unsolicited discounts are shown in their own products/services and compared with full price competitors’ product, unethical!

Rules for following ethics online is no different from its offline counterpart but in addition the online world has its own share of unique problematic/unethical practices like Advertorials, Pop-ups and pop-unders, contextual links and similar. Advertorials, where ads are portrayed as Editorial, without the mention of the word advertisement, are for sure unethical. Employees, writing positive reviews and comments, posing as users. Pop-ups and pop-unders have always been considered problematic and unethical.

While being personally interviewed, the marketers felt that though considered problematic by customers, they found that all these are effective tools in gaining customer attention and hence they sometimes, do indulge in some of these activities. Knowing that the customers are disgusted when the pop-up appears, they are ready to risk that just for gaining customer attention. Marketers agreement that pop-ups increase brand awareness show that they see it as a positive tool, whereas considered unethical by customers.

**CONCLUSION**

Marketers seem all positive about online advertising, proving all the way, why advertising space sells online even though the customers do not appreciate being subjected to online advertising. The highest agreement with the unethical statement reveals the urgency they feel to attract the customers. Unethical practices like pop-ups, advertorials, are considered grey areas but the marketers don’t fret treading on the path and gaining a few customers on the way.

**REFERENCES**


Goswami,Kanika,(2000), “E-This, E-That”, Advertising and Marketing, April 15, p-8


Challenges & Opportunities of FDI in Retail
(With reference to NCR Region in India)

Satish Kumar*                    Sachin Chauhan**

ABSTRACT
The Indian retail sector is witnessing tremendous growth with the changing demographics and an increase in the quality of life of urban people. Retail Sector is the most booming sector in the Indian economy. With a growing economy, improving income dynamics, rising awareness, and a Youth-heavy customer base, India is well on its way to become one of the most prospective markets for the domestic and global retailers by introducing FDI in retail sector in India. The spectacular and unprecedented growth of FDI in the global economic landscape over the last two decades has made it an integral part of the development strategy of both the developed and developing nations. It acts as a major catalyst in the development of a country through upgradation of technology, managerial skills and capabilities in various sectors. The growing Indian market has attracted a number of foreign retailers and domestic corporate to invest in this sector. FDI in the retail can expand markets by reducing transaction and transformation costs of business through adoption of advanced supply chain and benefit consumers and suppliers (farmers). Oppositions have raised concerns about employment losses, promotion of unhealthy competition among organized domestic retailers resulting in exit of small domestic retailers from the market and distortion of urban cultural development. The present paper focuses on the overview of the Indian retail sector along with the opportunities of expansion of FDI in retail in India and the major challenges that it faces.

INTRODUCTION
The word retail is derived from the French word retailer, means to cut off a piece or to break bulk. Therefore, a retailer is a dealer or trader who sells goods in small quantities. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. This excludes direct interface between the manufacturer and institutional buyers such as government and other bulk customers. Retail is India’s largest industry. The sector has witnessed an immense growth in the last few years. The key factors responsible for the retail boom have been the change in consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government, increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually.

Retail in India could be worth US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising

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with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

**REVIEW OF LITERATURE**

Palmade, Vincent and Anayiotas, Andrea in “FDI Trends - Looking Beyond the Current Gloom in Developing Countries - The World Bank group private sector development vice presidency September 2004 note number 273 specify “The fall in foreign direct investment (FDI) since 1999, and China’s growing share, worry most developing countries. But an in-depth look reveals new and promising trends. The decline is largely a one-time adjustment following the privatization boom of the 1990s. FDI is coming from more countries—and going to more sectors. The conditions for attracting FDI vary by sector: in labor-intensive manufacturing, for example, efficient customs and flexible labor markets are key, while in retail access to land and equal enforcement of tax rules matter most. Sorting out the microeconomic issues by sector will be good not only for FDI but also for domestic investors.

Doing Business in India, A publication of the World Bank and the International Finance Corporation, ©2009 The International Bank for Reconstruction and Development / The World Bank indicate “Foreign direct investment assists in increasing the income that is generated through revenues realized through taxation. It also plays a crucial role in the context of rise in the productivity of the host countries. In case of countries that make foreign direct investment in other countries this process has positive impact as well. In case of these countries, their companies get an opportunity to explore newer markets and thereby generate more income and profits.

An article by Koshy Joseph ,Partner, Joseph and Joseph Law Offices “FDI IN RETAIL SECTOR? Copyright© 2006, describes “The decision of permitting foreign direct investment (FDI) in the retail sector has been a debate in India for a considerable period of time. FDI has been permitted in several sectors by the government of India, however, retail has been as issue deliberated over in view of its expected effect on several sections of the economy, particularly small businesses. However, the said decision of the government permitting FDI in retail has drawn a lot of flak from the leftist and the opposition parties. The gates have opened for multinationals interested and looking forward to set a foot in the booming retail business in India.

A Report by Navdanya/ Research Foundation for Science, Technology and Ecology, New Delhi titled “CORPORATE HIJACK OF RETAIL - Retail Dictatorship vs Retail Democracy sets the foot right saying “Giant corporations like Wal-Mart and Reliance have started to try and take over the Indian retail sector. The entry of the giant corporate retail in India’s food market will have direct impact on India’s 650 million farmers and 40 million people employed in tiny retail. More than 6600 mega Stores are planned with Rs. 40,000 crore by 2011. Wal-Mart is the biggest player in retail. In a report “Oligopoly Inc. 2005, the ETC Group has shown that consolidation, cut throat competition and aggressive global expansion are the driving forces in the food retail sector. In 2004, the top 10 global food retailers accounted for combined sales of $840 Billion, 24% of the estimated $3.5 trillion global market. This was up from $ 513.7 billion in 2001. If Wal-Mart and other retail chains get a foothold in India; it will mean displacement of small retailers and farmers.

Singh, Dr. Mandeep, Associate professor of Economics, The Earth Institute of Columbia University in his article “Foreign Direct Investment in Retailing in India – Its Emergence & Prospects published on 3rd August, 2010 says “Since the Indian retail sector is highly fragmented and domestic retailers are in the process of consolidating their position, the opening up of FDI regime should be in phased manner over 5 to 10 years time frame so as to give the domestic retailers enough time to adjust changes. FDI should not be allowed for multi brand stores in near future, as Indian retailers will not be able to face competition with these stores immediately. At present it is also not desirable to increase FDI ceiling to more than 51% even for single premium brand stores. It will help us to ensure check and control on business operations of global retailers and to protect the interests of domestic
players. However, the limit of equity participation can be increased in due course of time as we did in telecom, banking and insurance sectors. The strategy of opening up should be backed by appropriate reform measures. India can learn from the experiences of other developed and developing countries and develop its own strategies, laws and regulations that would be in the best interest of the country.

FDI IN RETAILING

Foreign direct investment (FDI) or foreign investment refers to the net inflows of investment to acquire a lasting management interest (10% or more) in an enterprise operating in an economy other than that of the investor. Foreign direct investment is the sum of equity capital, reinvestment of earnings and other long or short term capital as shown in the balance of payments. It usually involves participation in management, joint venture, transfer of technology and expertise. There are two types of FDI: (a) Inward foreign direct investment and (b) Outward foreign direct investment. Foreign direct investment excludes investment through purchase of shares. Foreign direct investment can be used as one measure of growing economic globalization.

SINGLE BRAND Single brand implies that foreign companies would be allowed to sell goods sold internationally under a ‘single brand’, viz., Reebok, Nokia and Adidas. FDI in ‘Single brand’ retail implies that a retail store with foreign investment can only sell one brand. For example, if Adidas were to obtain permission to retail its flagship brand in India, those retail outlets could only sell products under the Adidas brand and not the Reebok brand, for which separate permission is required. If granted permission, Adidas could sell products under the Reebok brand in separate outlets.

MULTI BRAND

FDI in Multi Brand retail implies that a retail store with a foreign investment can sell multiple brands under one roof. Opening up FDI in multi-brand retail will mean that global retailers including Wal-Mart, Carrefour and Tesco can open stores offering a range of household items and grocery directly to consumers in the same way as the ubiquitous ‘kirana’ store.

PRESENT SHAPE OF FDI

The retail industry in India is the second largest employer with an estimated 35 million people engaged by the industry. There has been opening of Indian economy to foreign organization for foreign direct investment through organized retail. The union government has sanctioned 51% foreign direct investment in multi-brand like Wal-Mart, Carrefour, Tesco and upto 100% in single brand retail like Gucci, Nokia and Reebok. This will make foreign goods and items of daily consumption available locally, at a lower price, to Indian consumers. The new policy will allow multi-brand foreign retailers to set up shop only in cities with a population of more than 10 lakhs as per the 2011 census. There are 53 such cities. This means that big retailers can move beyond the metropolises to smaller cities. The final decision will however lies with the state governments. Foreign retailers will be required to put up 50% of total FDI in back-end infra-structure excluding that on front-end expenditures. Expenditure on land cost and rentals will not be counted for the purpose of back-end infra-structure. Big retailers will need to source atleast 30% of manufactured or processed products from small retailers. The government will go for surprise checks and if found irregularities then the deed will be broken with a second of time. Home grown retailers have not muscles and the reach to go for the big game like Subiksha and Vishal Retail. They have expanded their retail chain but did not have the resources to manage the backend across several cities. If we look rationally at the FDI in retail sector then it will be a win-win situation for all.

CHALLENGES TO RETAIL DEVELOPMENT IN INDIA

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are: -
THE KIRANAS CONTINUE - The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

RETAIL NOT BEING RECOGNIZED AS AN INDUSTRY IN INDIA – Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

THE HIGH COSTS OF REAL ESTATE – Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.

HIGH STAMP DUTIES – In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state (12.5% in Gujarat and 8% in Delhi). The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as is the legal process for settling of property disputes.

LACK OF ADEQUATE INFRASTRUCTURE - Poor roads and the lack of a cold chain infrastructure hampers the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.

MULTIPLE AND COMPLEX TAXATION SYSTEM – The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi with the introduction of value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time.

OBJECTIVES OF THE PAPER
1) To analyse the government decision to permit FDI in retailing.
2) To study the impact of FDI on local retail stores
3) To study the impact of FDI ON consumers, farmers and other associated industries

RESEARCH METHODOLOGY
The study is both descriptive and exploratory in nature. Hence, the research methodology was formulated in accordance with the requirements of the subject, where both the primary and secondary data sources were tapped effectively and efficiently, with emphasis on gathering first hand assessment of the situation. The research design of the study is crafted on the basis of the objectives and the nature of the problem to be investigated and the availability of time.

Sample Size: 300, Sampling Technique: Random Sampling, Population: Finite, Data Collection Instrument: Observation, Interview and Questionnaire, Demographic: 70% were males & 30% were females. The sample profile was all the sections of society. Geographic Location: NCR, India.

DATA ANALYSIS
Graph 1: Government decision to permit 51% FDI in multibrand retail

The above Graph 1 shows that the 69% of the people in NCR supported the government decision to permit 51% FDI in multibrand retail.
multibrand. This means that they liked to have foreign brands in India. The rest 31% people of were not supporting the government decision to permit 51% FDI in multibrand. This means that they were having the fear of the foreign trade and were of the view that it can repeat the history where Foreign Company came to India in the past and captured India through the business.

Graph 2: Foreign big retails will reduce the purchase from local stores

The above Graph 2 shows that the 63% of the people disagree that foreign big retail will reduce the purchase from local stores. This means that they are of the view that foreign big retail will have their own market while local stores will continue with their available market without much change in it. The rest 33% of the people were of the view that foreign big retails will reduce the purchase from local stores because the market of local stores will make a switch over to foreign big retails. The left over 4% were not having the adequate information about the recent issue.

Graph 3: Impact on farmers over FDI in retail

The above Graph 3 shows that the 68% of the people were of the view that the Indian farmers will be benefitted by the FDI in retail. This means that they are of the view that Indian farmers will get good payment for their produces, without the agent in between the two parties. There will be good storage techniques and transportation techniques. The rest 28% of the people were of the view that the Indian farmers will not be benefitted by the FDI in retail because they were of the view that Indian farmers will not get the advantage as it is a myth. There will be some irregularities. The left over 4% were not having the adequate information about the recent issue.

Graph 4: Impact on consumers over FDI in retail

The above Graph 4 shows that the 88% of the people were of the view that the Indian consumers will be benefitted. This means that majority were of the view that Indian consumers will get lot of opportunities in terms of purchasing the products. The rest 10% of the people were not of the view that Indian consumers will be benefitted because they were highly satisfied with the swadesh products in terms of price and availability. The left over 2% were not having the adequate information about the recent issue.

Graph 5: Impact on un-organized retail sector over FDI in retail
Graph 5: Impact on un-organized retail sector over FDI in retail

The above Graph 5 shows that the 78% of the people were of the view that the un-organized retail sector will not be benefitted by the FDI in retail. This means that majority of the people were of the view that the organized retail sector will capture the un-organized retail sector. The rest 16% of the people were of the view that there will be no major impact of organized retail sector over the un-organized retail sector in India. The left over 6% were not having the adequate information about the recent issue.

Graph 6: Impact on other Indian industries over FDI in retail

The above Graph 6 shows that the 35% of the people were of the view that the other industries will be benefitted over FDI in retail. This means that they were of the view that other industries will get good business through partnership, supply of raw material, giving of land or building and other means which will lead them good profits. The rest 24% of the people were of the view that the other industries will not be benefitted by this action. They were of the view that it is a false because the foreign big retail will try to depend on their people for business. The left over was in majority with 41% saying it is a very difficult situation to say whether FDI in organized sector will benefit or not. One reason can be as usual that they are not having the adequate information about the recent issue. The other can be that consumers can give informations better about purchasing than business because there can be job holders and house-wifes.

SUMMARIZED RESULT

The above findings collected through the sample of the people of NCR shows that majority of people are supporting the FDI in retail. There are some who for their own advantage are opposing the entry of foreign retailers into India. They are trying to mislead the people of India for their own profits. There is a point in the agreement between the government and the foreign retailer that any moment of time if the Indian government finds irregularities or any fear then Indian government can break the agreement and the foreign retailer has to leave India.

RECOMMENDATIONS:

Government should take following measures so as to protect the interest of local retailers and various stakeholders:

1) Regulate Modern Retail
2) Upgrade Traditional Retail
3) Upgrade Wholesale Markets to Serve Retailers and Farmers Better
4) Help Farmers Become Competitive Suppliers to Supermarkets
5) Urban Planning Laws
6) Regulation of misleading statements and Advertisements
7) Regulatory Framework to avoid monopolistic practices.

CONCLUSION

There is very huge potential for the growth of organized Retailing in India. By following some of the strategies it can rise tremendously and can reach each and every nock and corner. Open communication should be established between functional departments. A balance should be maintained between brand building and promotion. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry. The future of foreign retail players is also uncertain like that of Indian retail players. The government which acts better than the one which does not. Apprehensions were raised on many such occasions in the past on virtually every measures of liberalization of Indian economy but most of the apprehensions proved wrong while many others come true. It is better to act and watch than not to act at all.

BIBLIOGRAPHY


A COMPARATIVE STUDY AMONG GARCH FAMILY OF MODELS TO FORECAST FOREX MARKET VOLATILITY

INTRODUCTION
Where to invest? Those with cash or charged with investing other peoples’ savings have had a serious headache over the past few years. The world is a deeply uncertain place right now. High degree of volatility in Indian financial markets of late has caught the attention of a wide cross-section of individuals—financial analysts, the financial media, financial practitioners, many authors and scholars and policy makers. By the way, it is very important to predict various kinds of financial variables accurately in order to develop proper strategies and avoid the risk of potential large losses. The more efficiently the models estimated, the more accurate will be the decisions.

Review of Literature
Some of the important contributions both by national and international researches are briefly outlined as follows:

The works of Mandelbort (1963) and Fema (1965) are the first few works that examined the statistical properties of stock returns. In the same stand, Akgiray’s (1989) work proceeds further which not only investigates the statistical properties but also presents the evidence on the forecasting ability of ARCH and GARCH models vis-à-vis EWMA. Expanding further, Pagan and Schwert (1990) reported the GARCH and EGARCH models enhanced with terms suggested by non-parametric methods yields significant increase in explanatory power. In contrast to the discussed studies, Tse (1991) and Tse and Tung (1992) found that EWMA models provide better forecasts than GARCH models. In the context of foreign exchange markets, West and Cho (1995) get evidence in favour of the GARCH model

ABSTRACT
This paper studies a total of eighteen different specifications of GARCH families of models out of which eleven GARCH specifications, four and three specifications of asymmetric models like EGARCH and GJR-GARCH models are modeled to study the depth and incidence of volatility and also for forecasting. The USD-Ruppees exchange return series has been tested to find out the appropriate volatility model and forecasting efficiency for the return series. Six measures have been used to estimate the forecasting error across all the eighteen models. The GARCH (1,1) and GARCH (2,1) specifications are found to be suitable. In general, GARCH specifications and in few return series GJR specifications proved to be best with minimum forecasting errors. MSE is found to be the best performer in calculating forecasting errors among the six forecasting measures considered in this study.

Keywords: Volatility, Forecasting, Forex Market, GARCH models

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over shorted intervals and in the long horizon no model fares better. Philip and Dick (1996) studied the performance of the GARCH models and two of its non-linear modifications to forecast weekly stock market volatility. This study concludes that the QGARCH model is best and that the GJR model cannot be recommended for forecasting.

Some of the other works done by researchers such as Loudon et al. (2000), Mcmillan et al. (2000), Yu (2002), Klaassen (2002), Vilasuso (2002) and Balaban (2004) also examined the effectiveness of the forecasting models based on GARCH. Poon and Granger (2003) have done an extensive research that reflects the importance of volatility in investments, security valuation, risk management, and monetary policy making.

In the Indian context, Varma (1999) investigated the volatility estimation models comprises of GARCH and the EWMA models in the risk management setting. Pandey (2002) explored the extreme value estimators and found that they perform better than the traditional close to close estimators. Padhi (2005) explained the stock market volatility at the individual script level and at the aggregate indices level. The GARCH (1,1) model is persistent for all the five aggregates (electrical, machinery, mining, non-metallic and power plant sector) and also for individual company. Kumar (2006) in his paper evaluate the ability of ten different statistical and econometric volatility forecasting models in the context of Indian stock market and forex markets and concluded that GARCH (4,1) and EWMA methods lead to better volatility forecasts and GARCH (5,1) model best suite to forex market. Srivastava and Jain (2008) developed models to elucidate the volatility of BSE and NSE during April, 2000 to March, 2008 by using the ARCH, GARCH, EGARCH and TGARCH models. The findings suggest that both the stock market in India have the significant ARCH effect and it is appropriate to use GARCH models to estimate the process.

Singh and Kansal (2011) studies on the suitability of GARCH model by considering S&P CNX Nifty index by considering fourteen years. The findings suggest that stock market has significant ARCH effects and it is appropriate to use GARCH model to estimate the process.

From the above brief literature review, it emerges two important outcomes. Firstly, there is no conclusive evidence as to the supremacy of any volatility forecasting models in the literature. Secondly, in the Indian context, there is no research yet done on this area by using forex return series data. In this context and more, the present work sets out to investigate the relative ability of various forecasting models ranging from GARCH families of models with eighteen specifications in both markets in India.

Objectives:
This study is based on following objectives:

i. This paper offers a critical assessment of the 11 different specifications of GARCH models in US Dollar-Rupees exchange return series.

ii. Four different specifications of EGARCH models and three specifications of GJR models have been estimated together with the closing return series.

iii. The quality of each model has been put in evidence by calculating six different error statistics across eighteen models developed in this study to forecast daily volatility. This possibly will reveals an idea that which model is better suitable for what type of return series.

Hypotheses:
The following null hypotheses have been formulated to test:

1. \( H_0: \) No serial correlation exists between corresponding elements of lags in each series.

2. \( H_0: \) No ARCH effect exists between corresponding elements of lags in each series.

3. \( H_0: \) No leverage effect is seen in EGARCH specification of models. This implies ‘\( \gamma \)’ coefficients must not be negative.

4. \( H_0: \) No leverage effect is seen in GJR- GARCH specification of models. The ‘\( \gamma \)’ coefficients must be negative.
Methodology:
The methodology that has been adopted in this study to justify the formulated objectives is as follows:

Data: The data consists of daily closing observations of various indices collected from different sources. The detailed description of the data used for model estimation is derived in the table-1.

Table 1: Detailed data description

<table>
<thead>
<tr>
<th>Indices</th>
<th>No. of observations</th>
<th>Data range</th>
<th>Source</th>
</tr>
</thead>
</table>

Testing the Models

<table>
<thead>
<tr>
<th>Indices</th>
<th>No. of observations</th>
<th>Data range</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD TO INR (FUTURE)</td>
<td>21</td>
<td>1st June, 2012-30th June, 2012</td>
<td>Same as above</td>
</tr>
</tbody>
</table>

Note: 1. Indicates data set used to run the 18 models
2. Indicate data set used to test the efficiency of each 18 models

Models: Volatility has been measured as standard deviation of the rates of return. The rates of returns have been computed by taking a logarithmic difference of prices of two successive periods. Symbolically, it is:

\[ y_t = \log \frac{P_{t+1}}{P_t} = \log P_{t+1} - \log P_t \]  

(1)

where successive price observations made at time 't' and 't+1' as Pt and Pt+1, respectively and yt is the return series.

The Autoregressive Conditional Heteroscedasticity (ARCH) ‘q’ model suggested by Engle (1982) was the first attempt to overcome these assumptions by assigning the weights to the parameters to be estimated thereby determining the most appropriate weights of forecast these considered variables. A simple generalized ARCH (q) model can be of the form as derived in equation (2) as:

\[ \sigma_t^2 = k + \sum_{j=1}^{q} A_j e_{t-j}^2 \]  

(2)

The problem of parsimony among the other problems such as specification of the value of ‘q’ and the violation of non-negativity constraints led to develop more generalized framework named as ‘Generalized Autoregressive Conditional Heteroscedasticity’, GARCH (p,q) model proposed by Bollerslev (1986). The key insight behind developing GARCH model lies in the distinction between conditional and unconditional variances of the innovations process (\( \varepsilon_t \)). Specifically, the variance model imposed by GARCH, conditional on the past observations, is derived by:

\[ \text{Var}_t(\varepsilon_t) = E_{t-1}(\varepsilon_t^2) = \sigma_t^2 \]

where, \( \sigma_t^2 = k + \sum_{j=1}^{q} G_j \sigma_{t-j}^2 + \sum_{j=1}^{p} A_j \varepsilon_{t-j}^2 \)  

(3 and 4)

\[ \varepsilon_t = \sigma_t e_t \text{ and } e_t \text{ i.i.d } N(0,1) \]

In the above equation-3 and 4, \( \sigma_t^2 \) is the forecast of the next period's variance, given the past sequence of variance forecasts, and the past realizations.
of the variance itself, i.e., \( \sigma^2_t \). In the equation (4), when \( p=0 \), the GARCH \((0,q)\) model becomes equation (2) which is the original model derived by Engle. Again, in the equation (4) when \( p=q=0 \), the variance process will be simply white noise with variance \( \kappa \).

In this study eleven different specifications of GARCH models with different lags like GARCH \((0,1)\); GARCH \((0,2)\); GARCH \((0,3)\); standard GARCH \((1,1)\); GARCH \((1,2)\); GARCH \((1,3)\); GARCH \((2,1)\); GARCH \((2,2)\); GARCH \((2,3)\); GARCH \((3,2)\) and GARCH \((3,3)\) have been formulated with the closing values of the series.

To the further extension to the GARCH model, Nelson (1991) proposed the Exponential Generalised Autoregressive Conditional Heteroscedasticity (EGARCH) model. The Nelson's model can be of the form as:

\[
\ln(\sigma_t^2) = \mu + \sum_{i=1}^{p} \alpha_i \ln(\sigma_{t-i}^2) + \sum_{j=1}^{q} \beta_j \epsilon_{t-j} + \sum_{i=1}^{p} \gamma_i \ln(\sigma_{t-i}^2) + \sum_{j=1}^{q} \delta_j \epsilon_{t-j}
\]

\[
\epsilon_t \sim i.i.d. \text{N}(0,1)
\]

\[
\sigma_t^2 = e^{\ln(\sigma_t^2)}
\]

\[
\sigma_t = e^{\sigma_t^2}
\]

\[
\sigma_t = \sigma_{t-1} e^{\epsilon_t}
\]

\[
\epsilon_t = e^{\sigma_t^2}
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\sigma_t = \sigma_{t-1} \epsilon_t
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\sigma_t = \sigma_{t-1} \epsilon_t
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\sigma_t = \sigma_{t-1} \epsilon_t
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\sigma_t = \sigma_{t-1} \epsilon_t
\]

In this study, three different specifications of GJR-GARCH models like GJR \((1,1)\); GJR \((2,2)\) and GJR\((2,1)\) have been formulated by using the closing return series (see table-1).

### Validity of the Models:

Parameters of the eighteen models with various specifications of GARCH, EGARCH and GJR-GARCH have been estimated for closing return series of USD-RS exchange data set till 31st May, 2012. Separate programmings have been developed for all the eighteen specifications in Matlab 7.0 software to predict the daily return series for the month of June, 2012 (21 trading days). On the other hand, actual return data for June, 2012 i.e., 21 days of trading have been estimated by using the eighteen specifications as modeled. The forecasts that have been estimated are evaluated by using six different measures since the squared daily returns may not be the proper measure to assess the forecasting performance of the different GARCH family of models for conditional variance ((Andersen and Bollerslev (1998)). The measures considered are calculated by using the following formulas:

1. **Mean Error (ME):**

   \[
   ME = \frac{1}{h} \sum_{i=1}^{h} \left( \hat{\sigma}_i^2 - \sigma_i^2 \right)
   \]

2. **Mean Absolute Error (MAE):**

   \[
   MAE = \frac{1}{h} \sum_{i=1}^{h} \left| \hat{\sigma}_i^2 - \sigma_i^2 \right|
   \]

3. **Root Mean Square Error (RMSE):**

   \[
   RMSE = \sqrt{\frac{1}{h} \sum_{i=1}^{h} \left( \hat{\sigma}_i^2 - \sigma_i^2 \right)^2}
   \]
4. **Mean Absolute Percentage Error (MAPE):**

\[
MAPE = \frac{1}{h+1} \sum_{i=1}^{h} \left| \frac{\hat{\sigma}_i^2 - \sigma_i^2}{\sigma_i^2} \right|
\]

5. **Theil's Inequality coefficient (TIC):**

\[
TIC = \frac{1}{h} \sum_{i=1}^{h} \frac{(\hat{\sigma}_i - \sigma_i)^2}{(\hat{\sigma}_{i-1} - \sigma_{i-1})^2}
\]

6. **Mean Square Error (MSE):**

\[
MSE = \frac{1}{h+1} \sum_{i=1}^{h} (\hat{\sigma}_i^2 - \sigma_i^2)^2
\]

Where 'h' is the number of day's forecasts. In this study h=21. Symbol \(\hat{\sigma}_i\) stands for 'forecasted variance' and \(\sigma_i\) for 'actual variance'.

**PRE-ESTIMATION ANALYSIS:**

A pre-fit analysis has been done to test three important implications: (1) plotting the return series; (2) analyzing the Auto Correlation Function (ACF) and the Partial Autocorrelation Function (PACF) and (3) testing Engel's ARCH and the Q-test.

**Plot of Return Series:**

The return series data when plotted in the graph for USD-RS exchange data series, the first hint of autocorrelations which is clustering effect around various data has been observed.

**The ACF and PACF:**

The ACF and PACF graphs for the return data series reveals certain useful information on the broad characteristics of the return series. They provide indication if one needs to use any correlation structure in the conditional mean. In this study, from the estimated graphs, both ACF and PACF display some degree of autocorrelation but of course much lower than in the case of the graphs of the volatility of the returns that has been observed in return series. Significant autocorrelation and presence of second order moments are also observed when the indices are tested in terms of squared returns. Thus, it is observed that the autocorrelation has increased for all the two indices. This presence of significant clustering in both the indices is a good indicator of the fact that two indices are an appropriate choice to reveal the usefulness of the GARCH family of models which is the basic objective of this study.

**Engel's ARCH and the Q-test:**

The Ljung-Box-Pierce Q-test and the Engel's ARCH tests are the quantification of the qualitative checks for correlation done in section 2.1 and section 2.2 of this study. The LBP Q-test and the Engel's ARCH test have been computed at 3, 5 and 7 lags, at an alpha value of 0.05.

The results of both the tests, shows that all parameters estimated at three lags are higher than their critical values. In the table the 'H' values calculated for all the three lags are found to be '1'. This reveals that some degree of correlation exists between the corresponding elements of lags for both indices tested. Thus, the null hypothesis-1 formulated to be tested is rejected and, hence, alternative hypothesis is accepted.

The Engel's test statistics also reveals significant evidence in support of GARCH family of models effect i.e., heteroskedasticity. The 'H' value for this test is found to be ‘1’ estimated for all the three lags for the indices which prove the existence of significant correlation between the corresponding elements of lags for each index. Thus, the second hypothesis formulated to be tested in this study has been rejected which ultimately accepts the alternate hypothesis.

From the above three sub-sections it can be concluded that all the two series considered in this study are heteroskedastic. Thus, the return series considered in this study are ideal conditions for implementing GARCH family of models.

**RESULTS AND DISCUSSIONS:**

While running GARCH algorithm, it is required to perform a univariate GARCH model and then to check the necessity of adding extra variables in the
GARCH model. This addition of extra variables is termed as GARCH family of models or 'GARCH specifications'.

**Results from GARCH Family of Models:**

For a time series analysis, as our study, it is desirable to have stationary series. Stationarity of a series can be examined by summation of values of $G_i + A_j$. The required condition is that the summation value should be less than one. As to prove stationarity of the variance process, in this study, it is observed that $G_i + A_j$ for all the GARCH specifications are less than one, hence, satisfies the stationarity condition. It can also be observed that the sums are very close to one which indicates a long persistence of shocks in volatility. This implies the persistence of 'long memory'.

The GARCH $(p,q)$ specifications of models for USD-RS exchange return series have been estimated and the results are presented in table-3 derived. Since the sum values of $G_i + A_j$ for all GARCH specifications are less than one, hence, the return series satisfies the stationarity condition. It is also observed that the sums of all the GARCH specifications are very close to one which indicates a long persistence of shocks in volatility that implies the presence of 'long memory'.

The values of GARCH lag coefficients ($G_i$'s) are found to be large. This indicates that shocks to conditional variance takes a long time to die out which proves 'persistent' of volatility in the return series.

It is with the low values of error coefficients ($A_j$'s) (which are in between 0.03 to 0.06) for all the GARCH specifications suggests that market surprises induce relatively small revisions in future volatility. With the increase in lag of the errors in GARCH specifications affects on the estimated values can be observed. It indicates that, when the GARCH series is measured with various lags in error it is having significant effect on the estimation.

The parameters for various specifications of EGARCH models for USD-RS exchange returns have been estimated and presented in same table-2. From the results, the leverage effects ($y$) in all the four specifications are found to be positive. This implies that positive innovations are more destabilizing than negative innovations in USD-RS exchange trade. It can be seen that no leverage effect is found in EGARCH specifications of models. Since, the t-values are significant; hence, the third null hypothesis formulated is valid. The acceptance of null hypothesis automatically rejects the alternative hypothesis which invalidates EGARCH models. The large values of $A_j$'s prove the sensitiveness of volatility to market events. Again, the values of $G_j$'s in all the four specifications are positive and are also above 0.98 which proves that volatility takes long time to die out.

From the table it can be seen that the $G_i$'s for USD-RS exchange return for GJR specifications are found to be greater than 0.9. This suggests that volatility takes long time to die out. The $A_j$ values are also suggests the market surprises takes long time in future for revision. However, the ($y$) coefficients (measures asymmetric effect) for all the three specifications are estimated to be negative. This indicates that three is no evidence of leverage effect in the USD-RS return series. This accepts the formulated fourth null hypothesis and, hence, rejects the alternate hypothesis. For this reason, it is clear that GJR models are not better suitable for USD-RS return data.

**RESULTS OF FORECASTING PERFORMANCES:**

Table-3 represents the results of the error statistics of USD-RS exchange data. Among the eighteen models estimated, GARCH $(2,2)$ specification of model proves to be the best model by all the six measures. Two models like GARCH $(3,2)$ and GJR $(2,2)$ ranked second with equal error values except for GJR $(2,2)$ for Theil's index. Among the error measures, MSE is found to be the best measure followed by MAE, ME, RMSE, Theil's and MAPE. The performance of EGARCH model is still found to be disappointing.

**CONCLUSION:**

Based on the volatility forecasting efficiency of
models, except GARCH (1,1) and GARCH (2,1) specifications the rest sixteen specifications are found to be inappropriate to estimate the volatility. Furthermore, while forecasting efficiency of eighteen GARCH models examined in this study, GARCH (2,2) followed by GARCH (3,2) and GJR (2,2) proved to be the best forecasting models for USD-RS exchange return series. Again, MSE proved to be the best measure in estimating the forecasting errors in the considered return series. The performances of ME, MAE and RMSE are moderate and Theil's measure and MAPE's performances are not as per expectations. EGARCH specifications of models disappointed more while forecasting the estimated return series.

REFERENCES:


### Table 2: Co-efficient of GARCH specifications of models for USD-RS exchange return

<table>
<thead>
<tr>
<th>Parameter/Variance</th>
<th>C</th>
<th>K</th>
<th>G₁</th>
<th>G₂</th>
<th>G₃</th>
<th>A₁</th>
<th>A₂</th>
<th>A₃</th>
<th>O₁</th>
<th>O₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>GARCH (1,1)</td>
<td>−0.00014</td>
<td>4.3267</td>
<td>0.92016</td>
<td>0.06937</td>
<td>9</td>
<td>0.18904</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GARCH (0,1)</td>
<td>−0.00020</td>
<td>2.6731</td>
<td>2.3139</td>
<td>0.1599</td>
<td>0.13777</td>
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</tr>
<tr>
<td>GARCH (0,2)</td>
<td>−0.00027</td>
<td>2.1306</td>
<td>4.6255</td>
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<td>0.06799</td>
<td>0.02204</td>
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<tr>
<td>GARCH (0,3)</td>
<td>−0.00027</td>
<td>4.3686</td>
<td>0.91932</td>
<td>0.00028</td>
<td>0.022115</td>
<td>0</td>
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</tr>
<tr>
<td>GARCH (1,2)</td>
<td>−0.00013</td>
<td>4.31</td>
<td>0.92126</td>
<td>1.2164</td>
<td>0.06823</td>
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<tr>
<td>GARCH (1,3)</td>
<td>−0.00028</td>
<td>7.8881</td>
<td>0.19089</td>
<td>0.67255</td>
<td>0.03731</td>
<td>0.079148</td>
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<tr>
<td>GARCH (2,1)</td>
<td>−0.00028</td>
<td>7.9397</td>
<td>0.17938</td>
<td>0.68317</td>
<td>0.03705</td>
<td>0.080062</td>
<td>−4.4753</td>
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<td>−0.00029</td>
<td>9.829</td>
<td>0.063048</td>
<td>0.60815</td>
<td>0.1712</td>
<td>0.04428</td>
<td>0.089278</td>
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<tr>
<td>GARCH (2,3)</td>
<td>−0.00029</td>
<td>9.3213</td>
<td>0.063603</td>
<td>0.60072</td>
<td>0.1776</td>
<td>0.04452</td>
<td>0.08938</td>
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<tr>
<td>GARCH (3,2)</td>
<td>EGARCH (1,1)</td>
<td>0.00023</td>
<td>−0.01062</td>
<td>0.98938</td>
<td>0.15064</td>
<td>0.032609</td>
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<td>GARCH (3,3)</td>
<td>EGARCH (1,2)</td>
<td>−0.00014</td>
<td>−0.1071</td>
<td>0.9893</td>
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<td>0.029344</td>
<td>0.044356</td>
<td>−0.01310</td>
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<tr>
<td>GARCH (3,4)</td>
<td>EGARCH (2,2)</td>
<td>−0.00026</td>
<td>−0.2545</td>
<td>−0.00172</td>
<td>0.97649</td>
<td>0.18014</td>
<td>0.12866</td>
<td>0.039879</td>
<td>0.021126</td>
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<tr>
<td>GARCH (3,5)</td>
<td>EGARCH (2,1)</td>
<td>−0.00005</td>
<td>0.1161</td>
<td>1.0154</td>
<td>−0.0270</td>
<td>0.15073</td>
<td>0.035943</td>
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<td>GARCH (2,3)</td>
<td>GJR (1,1)</td>
<td>−6.7891</td>
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<td>0.09664</td>
<td>0.052939</td>
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<td>GJR (1,1)</td>
<td>−9.2343</td>
<td>7.513</td>
<td>0.05395</td>
<td>0.10761</td>
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</tr>
<tr>
<td>GARCH (3,3)</td>
<td>GJR (1,1)</td>
<td>−0.00010</td>
<td>3.8273</td>
<td>0.92206</td>
<td>0.00021</td>
<td>0.14234</td>
<td>−0.046835</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Calculated value from models.

### Table 3: Forecasting error for USD-RS exchange return

<table>
<thead>
<tr>
<th>ME</th>
<th>MAE</th>
<th>RMSE</th>
<th>MAPE</th>
<th>THEIL’S</th>
<th>MSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GARCH (1,1)</td>
<td>0.0065</td>
<td>0.0082</td>
<td>0.0926</td>
<td>1.208</td>
<td>1.0387</td>
</tr>
<tr>
<td>GARCH (0,1)</td>
<td>−0.003</td>
<td>0.0036</td>
<td>−0.084</td>
<td>0.5358</td>
<td>0.994</td>
</tr>
<tr>
<td>GARCH (0,2)</td>
<td>−0.003</td>
<td>0.0031</td>
<td>−0.081</td>
<td>0.452</td>
<td>1.0325</td>
</tr>
<tr>
<td>GARCH (1,3)</td>
<td>−0.003</td>
<td>0.0029</td>
<td>−0.079</td>
<td>0.4265</td>
<td>1.0493</td>
</tr>
<tr>
<td>GARCH (2,1)</td>
<td>0.0081</td>
<td>0.0077</td>
<td>0.0998</td>
<td>1.136</td>
<td>1.0435</td>
</tr>
<tr>
<td>GARCH (2,2)</td>
<td>0.0073</td>
<td>0.007</td>
<td>0.0854</td>
<td>1.027</td>
<td>1.0338</td>
</tr>
<tr>
<td>GARCH (2,3)</td>
<td>0.0093</td>
<td>0.0089</td>
<td>0.0967</td>
<td>1.317</td>
<td>1.0438</td>
</tr>
<tr>
<td>GARCH (3,2)</td>
<td>0.0064</td>
<td>0.0061</td>
<td>0.0801</td>
<td>0.9094</td>
<td>1.0371</td>
</tr>
<tr>
<td>GARCH (3,3)</td>
<td>0.0064</td>
<td>0.0062</td>
<td>0.0805</td>
<td>0.9121</td>
<td>1.0399</td>
</tr>
<tr>
<td>GARCH (3,4)</td>
<td>0.0064</td>
<td>0.0062</td>
<td>0.0805</td>
<td>0.9121</td>
<td>1.0399</td>
</tr>
<tr>
<td>GARCH (3,5)</td>
<td>0.0064</td>
<td>0.0062</td>
<td>0.0805</td>
<td>0.9121</td>
<td>1.0399</td>
</tr>
<tr>
<td>EGARCH (1,1)</td>
<td>0.0035</td>
<td>0.032</td>
<td>0.1832</td>
<td>4.727</td>
<td>1.0855</td>
</tr>
<tr>
<td>EGARCH (1,2)</td>
<td>0.0404</td>
<td>0.0386</td>
<td>0.2012</td>
<td>5.702</td>
<td>1.0932</td>
</tr>
<tr>
<td>EGARCH (2,2)</td>
<td>0.0413</td>
<td>0.0395</td>
<td>0.2033</td>
<td>5.823</td>
<td>1.0875</td>
</tr>
<tr>
<td>EGARCH (2,1)</td>
<td>0.0540</td>
<td>0.0516</td>
<td>0.2325</td>
<td>7.616</td>
<td>1.0922</td>
</tr>
<tr>
<td>GJR (1,1)</td>
<td>0.0097</td>
<td>0.0093</td>
<td>0.0989</td>
<td>1.376</td>
<td>1.0485</td>
</tr>
<tr>
<td>GJR (2,2)</td>
<td>0.0064</td>
<td>0.0061</td>
<td>0.0801</td>
<td>0.9027</td>
<td>1.0453</td>
</tr>
<tr>
<td>GJR (2,1)</td>
<td>0.0091</td>
<td>0.009</td>
<td>0.097</td>
<td>1.325</td>
<td>1.0474</td>
</tr>
</tbody>
</table>

Note: Calculated value.
INTRODUCTION

Mobile phones today have moved beyond their fundamental role of communications. In this era users buy mobile phones not just to be in touch, but to express themselves, their attitude, feelings & interests. Customers use their cellular phones to play games, read news, surf the Internet, and to listen music, for shopping or banking transactions. There is vast world exist beyond communication that needs to be explored, tapped and excel. Entire cellular industry is heading to provide innovative options to their customers. Subscribers are started choosing their operators on the basis of the value added services they offer.

Scope of Paper

With the increasing competition in telecommunication sector average Voice revenue per customer is falling, which contributes about 90 percent of revenue. Still overall revenues for an operator have increased, thanks to a whole host of value-added services (VAS). Amongst all the VAS, short messaging service (SMS) has proved to be the most important one.

ROLE OF VALUE ADDED SERVICES IN TELECOM SECTOR

Md. Mahmood Ul Farid* Biswakant Jha**

ABSTRACT
The study was aimed at identifying the role of Value added Services on Telecom Service Provider. A mobile value-added service (VAS) provides differentiation and the ability for mobile operators to charge a premium price. Mobile VAS include non-voice advanced messaging services such as SMS, MMS, MIM, and UM and wireless data services based on wireless data bearer technologies such as WLAN, GPRS, WAP with VAS applications including mobile gaming. Mobile VAS also includes voice-based services such as PTT. After the research it can be said that Value Added Services contribute a major chunk of profits for operators and the younger generation are the most important target audience.

Keywords: Value added services, Satisfaction level of customer, Demographic Factor

News, jokes, travel, horoscope, P2P messaging are the best examples of such services.

Literature Review

According to Sethi, (2006) Telecommunication is one of the prime support services needed for rapid growth and modernization of various sectors of the economy. Although the sector has grown rapidly in recent years, its growth needs to be accelerated further. It is equally important to accelerate structural changes in this sector in line with trends in other countries to ensure that the telecommunication services are not only made available on the scale needed to sustain rapid growth in the economy as a whole but also that the quality and cost of these services come up to the requirements of a modernizing economy. According to Singh, Telecommunications is a prime support service needed for rapid growth and modernization. It is also one of the fastest growing sectors in India and has immense potential for growth. The telecommunication activity is commercial in nature and people are willing to pay for it. Deregulation and competition are key elements in
telecommunications reforms all over the world and will be a guiding principle to the evolution of policy in this sector in coming years.

Private investment is expected to play a major role supplementing the efforts of the public sector in expanding capacity and also providing competition within the system. The quantum of investment by the private operators would basically be determined by the rate of return on such investments both basic as well as value-added services.

RESEARCH METHODOLOGY

The study was administered in Bihar (Patna and Bhagalpur region) State, India. The telephone service providers in Bihar during the study period were as follows:

- BSNL (Bharat Sanchar Nigam Limited);
- Airtel;
- Reliance;
- Aircel;
- Others;

BSNL (Bharat Sanchar Nigam Limited) is the Government owned service provider and the others are private players. The adequacy, accuracy and appropriateness of the data collection tool were ensured after incorporating necessary corrections, before administering the questionnaire for the final data collection.

Sampling Method, taking into account the operational difficulties associated in the process of data capturing. However, by going through this method of sampling it was ensured that all units of the population were adequately represented.

Sample: The pilot study was administered on 120 samples, taken through convenient sampling method. A questionnaire is distributed to telecom customers. But the total number of usable questionnaire is 100 (20 questionnaires were found incomplete).

Data collection: Questionnaire is developed in two parts. First part contains demographic questions such as gender, age and education level. The second part assesses behaviour of customer care, customer care rating and waiting period for customer care.

Statistical Techniques used: To arrive at certain conclusions regarding the hypothesis advanced in the present investigation, the following statistical tools for the analysis of data were employed. Percentage Analysis, Correlation Analysis T-test, calculations have been made making extensive use of Microsoft Excel and SPSS Software Packages on the computer.

Research Results and Discussion

In this part of the analysis, we discuss demographic information of the respondents. Table no. 1 shows that 79% are males. Ages ranged from 15 to 25 years are 46% and between 26 and 40 years old are 29%. 20% of participants’ ages are between 41 and 55 years old. From educational perspective, 43% of participants hold graduation degree. 36% hold high school degree and 14% hold post graduate degree.

<table>
<thead>
<tr>
<th>Table 1: Demographic Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Age 15 to 25 years</td>
</tr>
<tr>
<td>Age 26 to 40 years</td>
</tr>
<tr>
<td>Age 41 to 55 years</td>
</tr>
<tr>
<td>Age 56 and above</td>
</tr>
<tr>
<td>Education Illiterate</td>
</tr>
</tbody>
</table>
Most Preferred Connection and Technologies:
To find the popularity of value added services amongst the pre-paid and post-paid users. The results shows in Table 2 type of connection of prepaid is (90%) and (10%) in the post-paid connection. Most of respondents (80%) were using GSM handsets and (14%) respondents were using CDMA handsets while 6% customers using both.

<table>
<thead>
<tr>
<th>Type of Connection</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-paid</td>
<td>90</td>
<td>90%</td>
</tr>
<tr>
<td>Post-paid</td>
<td>10</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table 2: Type of Connection

The Factors Influencing the Selection of VAS:
Table 3 presents the results of the analysis the factors influencing the selection of value added services. The most important factor for selection of Value Added services was price followed by perceived benefits price of the service, features, availability and quality of services. The question was asked to determine the most popular value added services. The most preferred VAS were contests, followed by caller tunes, ring tones, wallpapers in that order.

<table>
<thead>
<tr>
<th>Factors Influencing</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>36</td>
<td>36%</td>
</tr>
<tr>
<td>Quality of Service</td>
<td>8</td>
<td>8%</td>
</tr>
<tr>
<td>Benefit (Perceived)</td>
<td>32</td>
<td>32%</td>
</tr>
<tr>
<td>Features</td>
<td>21</td>
<td>21%</td>
</tr>
<tr>
<td>Availability</td>
<td>5</td>
<td>5%</td>
</tr>
</tbody>
</table>

Table 3: Factors Influencing VAS selection

<table>
<thead>
<tr>
<th>VAS</th>
<th>Caller Tunes</th>
<th>Ringtones</th>
<th>MMS</th>
<th>New Alerts</th>
<th>Wallpapers</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>
Customer Satisfaction from Value Added Services: As the Table 4 clearly depicts that, extra benefits i.e. VAS of telecom service providers about 32% customers are satisfied about this services. Whereas 14% customers are dissatisfied and 37% customers are neutral with VAS of their service provider.

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Dissatisfied</td>
<td>1</td>
<td>1.2</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>14</td>
<td>16.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>37</td>
<td>43.0</td>
</tr>
<tr>
<td>Satisfied</td>
<td>32</td>
<td>37.2</td>
</tr>
<tr>
<td>Very Satisfied</td>
<td>2</td>
<td>2.3</td>
</tr>
</tbody>
</table>

From the above graph we can find out that, there is a tough competition in this segment between the service providers. Aircel, Airtel, Reliance and Others are running neck to neck, about 41.7%, 40.7% and 40% of their respective customers satisfied or very satisfied with their VAS. And 30% customers of Airtel are dissatisfied with their value added services. At the same time worst performer of this segment is BSNL, 66% of their customers are not satisfied with the VAS provided by them.
As per the above graph most satisfied (43%) age group is 26-40 years. Age group of 15-25 years is the second best satisfied (41%) group.

On the other hand the unhappiest age group is 41-55 years; about 46.6% of this segment are Dissatisfied with Value Added Services of their service providers.

CONCLUSION

The Indian cellular services market is growing at a rapid pace and the competition has also increased many folds. It has become essential for the service providers to adopt such technologies and strategies which ensure their success in such a dynamic situation.

With constantly decreasing Average Revenue Per User (ARPU) per month in telecom sector. It is tough for cellular operators in India to solely rely on conventional voice services for survival; so they are looking towards value added offerings in order to increase their ARPUs.

Despite a phenomenal increase in subscriber base majority of cell-phone users are prepaid customers, which indicate a tendency for higher customer churn rate and thin profit margins to the telecom service providers. Situation has further been complicated with the instigation of mobile number portability, as it is enhancing the customer churn rate.

With the entry of new global players in telecom market has further resulted in mounting customer acquisition and retention costs.

Thus, all these facts highlight the relevance of value added services in an ever growing telecom market as a key strategic tool, not only for differentiation of services but also as a factor responsible for developing satisfaction and loyalty among the customers. The findings of the present study convey that the service providers must concentrate their efforts on the quality of Value Added Service (VAS) offered with core services, to enhance the customers’
satisfaction which will ultimately result in higher customer loyalty.

REFERENCES

INTRODUCTION

Each category is run as a "mini business" (business unit) in its own right, with its own set of turnover and/or profitability targets and strategies. Introduction of Category Management in a business tends to alter the relationship between retailer and supplier: instead of the traditional adversarial relationship, the relationship moves to one of collaboration, with exchange of information, sharing of data and joint business building. The focus of all supplier negotiations is the effect on turnover of the category as whole, not just the sales of individual products. Suppliers are expected, indeed in many cases mandated, to only suggest new product introductions, a new planogram or promotional activity if it is expected to have a beneficial effect on the turnover or profit of the total category and be beneficial to the shoppers of that category. The concept originated in grocery (mass merchandising) retailing, and has since expanded to other retail sectors such as DIY, cash and carry, pharmacy, and book retailing. Category management lacks a single definition thus leading to some ambiguity even among industry professionals as to its exact function.

Category management is a process that involves managing product categories as business units and customizing them [on a store by store basis] to satisfy customer needs. (Nielsen)

The strategic management of product groups through trades a partnership which aims to maximize sales and profit by satisfying consumer and shopper needs (Institute of Grocery Distribution)

.. Marketing strategy in which a full line of products (instead of the individual products or brands) is managed as a strategic business unit (SBU). (Business Dictionary)

The Nielsen definition, published in 1992, was a little ahead of its time in that customizing product offerings on a store by store basis is logistically difficult and is now not considered a necessary part of category management; it is a concept now referred to as micromarketing. Nevertheless, most grocery retailers will segment stores at least by size, and select product assortments accordingly. Wal Mart's Store of the Community, implemented in North America is one of the few examples of where product offerings are tailored right down to the specific store.

Rationale for category management

The Nielsen definition of a category, used as the basic definition across the industry is that the products should meet a similar consumer need, or
that the products should be inter-related or substitutable. The Nielsen definition also includes a provision that products placed together in the same category should be logistically manageable in store (for example there may be issues in having room-temperature and chilled products together in the same category even though the initial two conditions are met). However, this definition does not explain how the process often works in practical retailing situations, where demographic or marketing considerations take precedence.

One key reason for the introduction of category management was the retailers' desire for suppliers to add value to their (i.e. the retailer's) business rather than just the supplier's own. For example, in a category containing brands A and B, the situation could arise such that every time brand A promoted its products, the sales of brand B would go down by the amount that brand A would increase, resulting in no net gain for the retailer. The introduction of category management imposed the condition that all actions undertaken, such as new promotions, new products, re-vamped planogram, introduction of point of sale advertising etc. were beneficial to the retailer and the shopper in the store.

A second reason was the realization that only a finite amount of profit could be milked from price negotiations and that there was more profit to be made in increasing the total level of sales.

A third reason was that the collaboration with the supplier meant that supplier's expertise about the market could be drawn upon, and also that a considerable amount of workload in developing the category could be delegated to the supplier.

**The category management 8-step process (retail)**

The 8-step process, whilst being very comprehensive and thorough has been criticized for being rather too unwieldy and time-consuming in today's fast-moving sales environment; in one survey only 9% of supplier companies stated they used the full 8-step process. The current industry trend is for supplier companies to use the standard process as a basis to develop their own more streamlined processes, tailored to their own particular products.

Market research company Nielsen has a similar process based on only 5 steps: reviewing the category, targeting consumers, planning merchandising, implementing strategy, evaluating results.

**Category captains**

It is commonplace for one particular supplier into a category to be nominated by the retailer as a category captain. The category captain will be
expected to have the closest and most regular contact with the retailer and will also be expected to invest time, effort, and often financial investment into the strategic development of the category within the retailer.

In return, the supplier will gain a more influential voice with the retailer. The category captain is often the supplier with the largest turnover in the category. Traditionally the job of category captain is given to a brand supplier, but in recent times the role has also gone to particularly switched-on private label suppliers. In order to do the job effectively, the supplier may be granted access to a greater wealth of data-sharing, e.g. more access to an internal sales database such as Walmart's Retail Link.

Governmental concerns about category management

Many governments have viewed increased collaboration between suppliers and retailers as a potential source of antitrust breaches, such as price fixing. For example the UK Competition Commission has raised their issues on market distortion in principle. They have also acted on milk price-fixing in Britain.

Category Management Association

The Category Management Association (CMA) is the global category management community that enables professionals to connect with peers around the world and further their careers with the latest in best practices and certification. Founded in 2004, it is the only organization certifying coursework and individual category management professionals according to recognized industry standards. The Association encompasses a broad range of strategic insights and planning functions including: Category Management, Consumer Insights, In-Store Execution, Merchandising, Space Management, Shopper Insights & Shopper Marketing, Trade Promotion, and Pricing.

Highlights

The Association features a weekly e-newsletter, Share Groups, resource directories, best practice surveys, and global events, and is the only organization certifying individual professionals and companies based on industry-wide recognized standards.

Membership

Global members include businesses and individuals from the top consumer goods companies and leading retailers, plus mid-size companies, universities, and solution providers. The CMA collaborates with its members to realize best practices and advance the discipline of category management. Together we solve common problems with innovative solutions.

The Association serves as an unbiased, central source for industry information and is unparalleled in its sole focus on category management.

Modified category management

This section needs additional citations for verification. Please help improve this article by adding citations to reliable sources. Unsourced material may be challenged and removed. (March 2012)

For MRP-based manufacturing industries, the predominant cost-saving methodology in category management (CM) involves the integration of market intelligence with leveraged spending (for a given category of product or service). In industries where asset operation and preservation bear more significance to the procurement process than do product manufacturing – such as in an MRO\[disambiguation\] environment – demonstrable benefit can still be achieved with category management but is best approached with some manner of adjustment to CM’s usual processes for analysis and strategy development. The first challenge becomes incorporating analytical processes and value drivers that are largely indigenous to the MRP world in a manner that makes sense to an MRO environment. The second (and no less important) challenge becomes avoiding a trap where the CM processes are perceived to be more important than their outcome – a scenario that can result in significant analytical delay, and even complete process paralysis. An excellent example of an MRO environment warranting adjustment to classical category management is nuclear power generation
in the United States, where the adjusted approach to category management has been coined "MCM" – standing for MRO-based Category Management or Modified Category Management. Not only does electricity generation epitomize an MRO-driven environment, the nuclear energy source adds numerous dimensions of supply and procurement complexity – including federal and state regulatory compliance, nuclear industry standards compliance, nuclear-unique system and component design, and a tightly-audited (and very small) supply base, amongst others. Due to the nature and quantity of discrete characteristics native to nuclear power generation, it can easily be argued that nuclear power generation, in and of itself, should be a distinct category of procurement within a category management project. The fundamental adjustment made between the classical category management approach and the nuclear MCM approach is a shift from procurement strategies focused on leveraged spending to procurement strategies embracing nuclear value drivers, technology innovation, risk management, and strategic sourcing.

CONCLUSION

Category management can also be applied to purchasing within an organization. Although the term is the same and there are many similarities with elements of retail category management including the use of similar tools and techniques applied in reverse, the methodology is fundamentally different. Applying Category Management in purchasing benefits organizations by providing an approach to reduce the cost of buying goods and services, reduce risk in the supply chain, increase overall value from the supply base and gain access to more innovation from suppliers. It is a strategic approach that focuses on the vast majority of organizational spend. If applied effectively throughout an entire organization the results can be significantly greater than traditional transactional based purchasing negotiations.

The concept of Category Management in purchasing originated in the late 80's. There is no single founder or originator but the methodology first appeared in the automotive sector and has since been developed and adopted by organizations worldwide. Today Category Management is considered by many global companies as an essential strategic purchasing approach. Category Management has been defined as “an evolving methodology that drives sourcing strategy in progressive organizations today”.

REFERENCE


ABSTRACT
Life may be denoted differently as per the context in which it is being referred. The Bhagwad Geeta take on this with supreme purpose attached with the existence of human being. The four primordial objectives referred by The Bhagwad Geeta viz Dharma, Artha, Kama and Moksha with each of their essentials make it quite clear how effectively we can manage the life of business and vice versa. By Lord Krishna to his beloved disciple Arjuna it is deciphered lucidly how one is inalienable to other. The most emphatic one is the separate and interrelationship of the three yogas i.e. Karma yoga, Bhakti yoga and Gyan yoga as the means to achieve supreme goal of Moksha. Role of divine and human value can conclude in its best perspective if understood in respect of their relevance and synergy. Elements which comprise the physical existence if harmonizes with the divine value this supreme objective of human life becomes easily achievable. So this paper is basically highlighting this aspect of we can manage the business of life and life of business in its most fruitful way through the teachings of The Bhagwad Geeta.

Keywords: Bhagwad Geeta, Dharma, Moksha, Karma.

INTRODUCTION
According to encyclopedia Meaning of life generally refers to the possible purpose and significance that may be attributed to human existence and one's personal life. The meaning of life is in the philosophical and religious concept of existence, socialities, consciousness, and happiness, and borders on many other issues, such as symbolic meaning, ontology, value, purpose, ethics, good and evil, free will, the existence of one or multiple Gods and the soul.

According to Indian vedic philosophy human life has a definite purpose. Whilst the final goal of life is “Moksha”, there are three other (intermediary) goals of life. These together are called four objectives or pursuits of life, which are as follows:-

1. Dharma–Righteousness
2. Artha – Acquisition of wealth by proper means and its right use
3. Kama–Fulfillment of all noble desires
4. Moksha–Liberation or the final goal

It is essential to have the proper understanding of these objectives (as also because these terms are highly used in our daily language to mean differently). We shall describe briefly in the following parts-

1. Dharma: This is the first objective of life. The famous word has been derived from its root Dhri which means ‘to uphold’, ‘to adapt’ to safe guard etc. Dharma is a comprehensive term which covers a range of values.

\[ \text{भूति क्ष्यमा दम्पत्येऽ, शौचं इत्यविधिः} \]
\[ \text{भोविष्या सत्यं अक्षोधो, दस्यं धर्मं लक्षणम॥} \]

The ten basic principles of dharma are the following:

a) Dhrati i.e. Patience
b) Chama i.e. Kshma
c) Damah i.e. Control of mind
d) Astaye i.e. Not stealing
e) Purity and cleanliness i.e. Shauch
f) Wisdom
g) Control of sense
h) Knowledge
i) Truth
j) Non anger

2) Artha: Artha or wealth is the second most important objective of human life but it has to base on dharma. Various forms of Artha given below are as under

a) Responsiveness: It is the greatest wealth, both material and spiritual. Spiritual awareness relates to inner life as well as realization and hard practices of yogic discipline.

b) Health: It is another form of wealth. One has to acquire the knowledge of good health, which includes the well being at emotional and mental levels. Better food, better thought, and regular exercise.

c) Satisfaction: This is other types of wealth. This means moderation of desire to process more and more of life requirements and materials wealth.

d) Money: Monetary richer i.e. wealth.
This is another type of material wealth. Some portion should be used for charitable purposes. It should be expended only for the necessities and not for one’s luxuries.

A genius poet said about the importance of money that is given –
Taka dharma, taka karma, taka hi paramam tapa,
Yasya paste taka nasti sa sada tak-takayate.

3-Kama (Fulfillment desire): The third objective of life is Kama – the desire for the senses urges in which sexual gratification and worldly pleasure occupies the prime position. It includes fulfillment of other material desires.

There are two types of Kama -
1. Controlled Kama: - It acts as a catalytic agent for actions in life.
2. Uncontrolled Kama: - It can lead to destruction.

4-Moksha (Salvation): This is the fourth and ultimate objective of human life. It is the state of liberation from misery and pain which are so abundant in human life. It is the state of Aanandmay kosha that is the stage of perfection.

THE FIVE KOSHAS

1. Annamaya Kosha
2. Pranamaya Kosha
3. Manomaya Kosha
4. Vijnanamaya Kosha
5. Anandamaya Kosha

1. Annamaya Kosha : Annamaya Kosha is the physical body which needs sustenance to survive. The human being is a part of the food chain as any other creature. It is the visible part of our Self and therefore we incorrectly identify ourselves with it.

2. Pranamaya Kosha : Pranamaya Kosha exists in the physical body, interactive and ward. People with a special ability in seeing another person’s aura can perceive this body with their naked eye. It is the vital shell that is full of life. Breath is a life-principle and is a controllable expression.

3. Manomaya Kosha : Manomaya Kosha, the inner organ is also interactive and dependant of the former two. It is the mind which can construct and destroy. It governs the faculties of perception and instinctual consciousness. This process needs resolve and faithfulness.

4. Vijnanamaya Kosha : Vijnanamaya Kosha, the conscious body lies deeper than the previously described ones and is also interactive and ward. This body is responsible for inner growth, for ethics and for moral.

5. Anandamaya Kosha : Anandamaya Kosha is
the most subtle body and without its existence life is impossible. It interacts with the others like the sun affecting our planet. The search is mostly intuitively and often subconsciously.

**TRINITY OF THREE GUNAS:**

The trinity comes to us by way of vedic and yogic instructions with refer to this triangle of forces and energies. The three gunas are called Sattwa, Rajas, Tamas.

**Sattwa** is the initial thought, the mental seed, the creative principle. Sattwa also represents imagination, inspiration, mediation, and unmanifested idea.

Sattwa represents the father, the mind, the nous.

**Tamas** is that which is intended to be created or manifested. It is the idea creation or desire which attracts our attention.

Tamas can represent a resistance, an obstacle, inertia and laziness.

**Rajas** is the unseen spiritual energy with our comes resistance, obstacles and stagnation so that creative thought can manifest itself.

Rajas represents the holy spirit and Logos.

**Relevance of three yogas in human life:**

a) Karma Yoga
b) Bhakti Yoga
c) Gyan Yoga

**Detached action:**

Lord Krishna gave the instruction to Arjuna –

योगस्थ: कुरु कर्माणि सत्ताः सत्यत्वा धन्यजय ।
सिद्धाचार्योऽः समो पूज्या समतलं योग उच्चते ।

Do your duty to the best of your ability, with your mind attached to the Lord, abandoning worry and selfish attachment to the results, and remaining calm in both success and failure. Equanimity of the mind is called Karma-yoga. (2.48)

**Karma Yoga with action :**

दूरेण हावर्क बुद्धियोगाद धन्यजय ।
बुद्धि शरणम अन्वित्त्र क्रमणः फलेति।

Work done with selfish motives is inferior by far too selfless service or Karma-yoga. Therefore, be a Karma-yoga. Those who work only to enjoy the fruits of their labor are, in truth, unhappy (because one has no control over the results). (2.49)

A Karma-yoga becomes free from both vice and virtue in this life itself. Therefore, strive for Karma-yoga. Working to the best of one’s abilities without becoming attached to the fruits of work is called Karma-yoga. (2.50)

मध्य चानन्योगेन भक्ति अध्यादेशनी ।
विविक्तदेशशेषवित्तम अरतिः जनसंवदि।

Unswerving in his devotion to me, with undistracted yoga, frequenting solitary places and disliking crows of people.

कर्मण्येवाचिकारस्ते मा फलेषु कदाचन ।
मा कर्मफलेभुज्य गृह मा ते सब्धोपस्तार्क्षिनि।

You have right over your respective duty only with no control or claim over the results. The fruits of work should not be your motive. You should never be inactive. (2.47)

**Role of divine values and human values in success of human life**

**Divine values:** The spiritual values are often recognized as divine values. The spiritual values include justice, truth, love etc. These values are universal that all human beings seem to understand it without being taught.

**Human values:** A person can be defined as a composition of six elements which can be interpreted through the acronym of the world person itself.
A man requires three things in life –

M - Money (Vittothsna)
A – Authority (Jeevesha)
N – Networking (Aishna)

There are five types of human values given below –

1. **Individualistic Values**
The most natural value of a person is unique which means valuing the self over anything else in the world.

2. **Family Values**
The concept of family has given rise to the family value where a family is considered to be the basic unit of the society instead of the individual.

3. **Professional Values**
People earn money through some professional activity. All professional have their distinct value sets. A doctor, an engineer, an advocate, a chartered accountant works the code of conduct of profession.

4. **National Values**
The world today is divided into a number of countries and each country is sovereign and independent.

In order to make the nation stronger, certain types of values need to be cultivated in their citizen who makes the country not made of millions or billions of individuals or families but like one family.

5. **Moral Values**
All people are equal in the eyes of law whether rich or poor, strong or weak have equal weigh age.

**AIMS AND OBJECTIVES OF BUSINESS**

**Aims of business**
Aims of a business can be
- to make a profit
- to expand their business
- to provide a service or goods to the people
- to survive (break even for example)
- go global (internationalization, globalization, associated economies of scale)
- returns for stakeholders (dividends for example)
- securing investment (particularly at universities/charities (not for profit organizations))
- become greener (hot topic) corporate governance and social responsibility

A business objective is a detailed picture of a step you plan to take in order to achieve a stated aim. These need to be SMART in order for the business to know what progress it has made towards achieving the objective

Specific - clear and easy to understand. 
Measurable - i.e. able to be quantified.
Achievable - possible to be attained.
Realistic - not 'pie in the sky'.

**OBJECTS OF BUSINESS**

Objectives within an organization are established at a number of levels from top level corporate objectives, down to team objectives and individual objectives that create a framework for operational activities. These are often translated into targets which help to motivate staff in reaching short-term goals.

Objectives therefore provide a clear structure for all of the various activities that an organization carries out. By measuring how well an objective has or has not been achieved, managers can make necessary changes to their activities to ensure progress and achievement of the stated objectives is made within the timescale allocated.
CONCLUSION

Shrimad Bhagwad Geeta is the wonderful collection of dialogue between knowledge seeker and a knowledge source. Arjun has question and the question asks by Arjun are not the question of his own life but they reflects the challenges and threats that everyone faces in day today's life and Lord Krishna provides answers all the questions all the question ask by Arjun. Lord Krishna gives a solution of all the problems. Arjun represents all his doubts are removing and that is why in the end of Shrimad Bhagwad Geeta. Arjun says my delusion is destroying and I have gain knowledge by grace. Arjun says my all doubts have managed and this is the ultimate contribution of the message of Shrimad Bhagwad Geeta.

The mix of gyan yoga, bhakti yoga and karma yoga causes wonder in a man's life. Ensuring liberation all round success the proper mix of reverence sacrifice and activity through proper use of Sattwa, Rajas, Tamas leads to ultimate achievement of life. The life of business and the business of life starts giving all positive results. In the end the last sloka of Shrimad Bhagwad Geeta is the ultimate guide of life.

Life could become trouble free and the productivity and profitability of the business organization can be enhanced through Shrimad Bhagwad Geeta way which basically talks of a mix of a mix of karma yoga, gyan yoga and bhakti yoga. Work not result should be the worry of individual of business people.

Shrimad Bhagwad Geeta talks of management by efforts, efforts bring the fruit action we get result proactive result and determination dedication devotion and discipline in the theme of Shrimad Bhagwad Geeta message. One could live happily with less or of material wealth if he have good amount of spiritual values. This can safely we concluded that the message of Shrimad Bhagwad Geeta helps a man in the management of life and management of business as well. Shrimad Bhagwad Geeta has the answer of all problems of business of life and life of business. Why did man internationalize the message of Shrimad Bhagwad Geeta is real perspective.

Wherever there will be both the Lord of yoga and Arjuna with the weapons of duty and protection, there will be everlasting prosperity, victory, happiness, and morality. This is my conviction. (18.78)

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INTRODUCTION

Retailing network is crucial to economic development, otherwise retail inefficiencies as put a cap on the growth and thus slow down development. Till now retail growth in India has been achieved primarily due to rising consumerism and initialises in the private sector. The other significant factors responsible for the growth of Indian organized retail sector are as under – Liberalization of Indian Economy.

Liberalization has opened up markets consumer goods and has helped the foreign brands to make the presence by making available a large number of choices in the consumer markets.

Rising income and improvement in infrastructures:- This has led to the expansion of Indian consumer markets which provided a great opportunity to retailers to make their presence and there by accelerating consumer tests.

Shift in consumer demand:- this shift of consumer demand to foreign brand like Sony, Panasonic, Mc Donalds also encouraged retailing by increasing their presence in domestic market.

Internal Revolution:- It is making the Indian consumer aware about the marketing trends and changes.

Better accessibility and lower prices:- consumer benefited greatly by lower prices of different products and services and access to them under one roof. By exploiting the economics of scale, the giant retailers offer their consumer’s products and services at the best prices.

Division of Retail Industry:- The Indian Retail Industry continues to be highly fragmented. The Retails Industry is mainly divided into -----1. Organised 2. Unorganised 3. Retailing.

Organized Retail Sector: Organized retailing refers to trading activities undertaken by licensed retailers that are those who are registered for sales tax, Income tax etc. These include the corporate backed by per-market and retail and retail chains and also the privately owned logs retail business: This sector is still in the infant stage because its share in total retailing in India is a low as around 2% compared to other developing economics. Its share in USA is 80% 20% in China, Thailand 40%, and Malaysia 50%. This abysmally low share in the total retailing indicates that there is an opportunity for new exiting retailers to un-taps its huge market potential.
### Organized Retail Trade in Different Countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Retail Trade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>80</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
</tr>
<tr>
<td>Philippines</td>
<td>35</td>
</tr>
<tr>
<td>Indonesia</td>
<td>25</td>
</tr>
<tr>
<td>Shouth Korea</td>
<td>15</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
</tr>
</tbody>
</table>

*Source* - CRISIL

As far as employment is concerned, this sector employs around 5 lakh (around 8%). People which are very low when compared with employment in unrecognized retail sector.

### Share of Employment in Total Retailing in Different Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>16</td>
</tr>
<tr>
<td>Brazil</td>
<td>15</td>
</tr>
<tr>
<td>Poland</td>
<td>12</td>
</tr>
<tr>
<td>India</td>
<td>8</td>
</tr>
<tr>
<td>China</td>
<td>7</td>
</tr>
</tbody>
</table>

*Source* - FICCI

### Unorganized Retail in Different Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Share %</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>20</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50</td>
</tr>
<tr>
<td>Thailand</td>
<td>60</td>
</tr>
<tr>
<td>Philippines</td>
<td>65</td>
</tr>
<tr>
<td>Indonesia</td>
<td>75</td>
</tr>
<tr>
<td>South Korea</td>
<td>85</td>
</tr>
<tr>
<td>China</td>
<td>80</td>
</tr>
<tr>
<td>India</td>
<td>98</td>
</tr>
</tbody>
</table>

*Source* - FICCI

It is evident that India has a big share of unorganized retailing in total retail sector and this is because of ever crowded agriculture sector and the stagnating manufactures sector, many millions of Indians resort to service sector. And for an individual it is a natural choice to set up a small store or retail outlet or kirana shops in the busy streets in the villages and towns because retailing (Unorganized) is by far the easiest business to enter with low capital and infrastructure needs. These retailers small shops function at low cost and size-formate, function at small-scale level and are rarely come under tax net. About 11 million outlets are operating in the country and only 4% of them being larger than 500 square feet in size while in us: it is 0.9million, yet catering to more than 13 Time of the Indian retail market size. These figures speak well of the high fragmented nature of Indian retail sector.

### Concentration of top retailers:

The India Retail Industry is the largest among all the industry, accounting for over 10% of the country is GDP and around 8% of the employment. The
The retail industry in India has come forth as one of the most dynamic and fast-paced industries with several players entering the market.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will allow a rising graph helping the newer businessmen to enter the Indian Retail Industry.

### Economic Concentration of Top 10 Retailers- 2011

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>US</td>
<td>405,046</td>
<td>0.9%</td>
<td>3.6%</td>
<td>8.7%</td>
<td>2.4</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>119,887</td>
<td>-1.2%</td>
<td>0.5%</td>
<td>0.8%</td>
<td>1.7</td>
</tr>
<tr>
<td>3</td>
<td>Metro</td>
<td>Germany</td>
<td>90,850</td>
<td>-3.2%</td>
<td>0.8%</td>
<td>1.5%</td>
<td>1.9</td>
</tr>
<tr>
<td>4</td>
<td>Tesco</td>
<td>U.K.</td>
<td>90,435</td>
<td>4.8%</td>
<td>4.1%</td>
<td>5.1%</td>
<td>1.2</td>
</tr>
<tr>
<td>5</td>
<td>Schwarz</td>
<td>Germany</td>
<td>77,221</td>
<td>1.4%</td>
<td>N/a</td>
<td>N/a</td>
<td>N/a</td>
</tr>
<tr>
<td>6</td>
<td>Kroger</td>
<td>US</td>
<td>76,733</td>
<td>1.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>3.3</td>
</tr>
<tr>
<td>7</td>
<td>Costco</td>
<td>US</td>
<td>69,889</td>
<td>-1.5%</td>
<td>1.5%</td>
<td>4.9%</td>
<td>3.2</td>
</tr>
<tr>
<td>8</td>
<td>Aldi</td>
<td>Germany</td>
<td>67,709</td>
<td>3.8%</td>
<td>N/a</td>
<td>N/a</td>
<td>N/a</td>
</tr>
<tr>
<td>9</td>
<td>Home Depot</td>
<td>US</td>
<td>66,176</td>
<td>-7.2%</td>
<td>4.0%</td>
<td>6.5%</td>
<td>1.6</td>
</tr>
<tr>
<td>10</td>
<td>Target Top- 10</td>
<td>US</td>
<td>63,435</td>
<td>0.9%</td>
<td>3.8%</td>
<td>5.6%</td>
<td>1.5</td>
</tr>
<tr>
<td>10</td>
<td>Target Top- 250</td>
<td>US</td>
<td>4,9%</td>
<td>2.0</td>
<td>1.0</td>
<td>3.1%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail grants wanting to entir into newer markets. Which in turn will help the India Retail Industry to grow faster. Indian Retail is expected to grow 25% annually. Modern Retail in India could be worth US $ 175-200 billion by 2016. The food Retail Industry in India dominates the shopping basket. The mobile phone Retail Industry in India is already a US $ 16.7 billion business, growing at over 20% per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and emerging technologies facilitating operations.
Asset Turnover an ROA Region/Country

<table>
<thead>
<tr>
<th>2011 Composite</th>
<th>Asset Turnover</th>
<th>2011 Composite Return on Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 250</td>
<td>1.6</td>
<td>4.90%</td>
</tr>
<tr>
<td>Africa/Middle East</td>
<td>3</td>
<td>9.00%</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>1.2</td>
<td>2.60%</td>
</tr>
<tr>
<td>Japan</td>
<td>1.1</td>
<td>1.50%</td>
</tr>
<tr>
<td>Europe</td>
<td>1.4</td>
<td>4.20%</td>
</tr>
<tr>
<td>France</td>
<td>1.2</td>
<td>3.20%</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td>1.50%</td>
</tr>
<tr>
<td>U.K.</td>
<td>1.4</td>
<td>4.80%</td>
</tr>
<tr>
<td>Latin America</td>
<td>1.1</td>
<td>3.70%</td>
</tr>
<tr>
<td>North America</td>
<td>1.9</td>
<td>6.40%</td>
</tr>
<tr>
<td>U.S.</td>
<td>1.9</td>
<td>6.40%</td>
</tr>
</tbody>
</table>

Source: Pinmaele Des Acamemia Value II Issue 1 Jan, 2012

FDI in Retail Sector: FDI can be a powerful catalyst to sour computation in the retail industry, due to the current scenario of low completion and productivity. The policy of Single-Brand retail was adopted to allow Indian Consumers access to foreign brand. Since Indians spend a lot of money shopping aboard, this policy enables them to spend the same money on the same goods in India. FDI in single-brand retailing was permitted in 2006 up to 51% of ownership. Between them and May 2010, a total of 94 proposals have been received of these, 57 proposal have been approved. An FDI inflow of US$ 196.46 million under the category of single brand retailing was received between April 2006 and Sep. 2010. Comprising 0.16% of the total FDI inflows during the period. Retail stocks rose by us much as 5% share of Pantaloons retail (India) Ltd ended 4.84% up at Rs. 441 on the Bombay stock Exchange. Shares of shopper’s stop Ltd rose 2.02% and Trent Ltd, 3.19%. The exchange is key index rose 173.04 points or 0.99% to 17614.48. But this is very less as compared to what is would have been had FDI up 100% been allowed in India for single brand.

The policy at allowing 100% FDI in single brand retails can benefit both the foreign retailer and the Indian Partner. Foreign players get local market knowledge, while Indian Companies can access global best management practices, designs and technological knowhow. By partially opening this sector, the government was able to reduce the pressure from its trading partners in bilateral/multilateral negotiations and could demonstrate India’s intenions in liberalizing this sector is a phased manner.

Permitting foreign investment in food based retailing is likely to ensure adequate flow of capital into the country & its productive use in a manner likely to promote the welfare of all section of society, particularly formers and consumers. It would also help bring about improvements in farmer income & agricultural growth and assist in lowering consumer prices inflation.
Apart from this by allowing FDI in Retail trade. India will significantly flourish in terms of quality standard and consumer expectations, since the inflow of FDI in retail sector is bound to pull up the quality standard and cost competitiveness of Indian Producers in all the segments. It is therefore obvious that we should not only permit but encourage FDI in retail trade.

It is tube noted that the Indian council of Research in International Economic Relations (ICRIER), a Premier economic think tank of country, which was appointed to look in to the impact of BIG Capital in the retail sector, has projected the worth of Indian retail sector of reach $ 496 billion by 2011-12 and ICRIER has also come to conclusion the investment of big many in the retail sector would in the long run not harm interest of small, traditional, retailers.

Industrial organisation such as CII, FICCI, US India Business Council (USIBC), the American chamber of commerce in India. The Retail Association of India (RAI) and Shopping Center Association of India favour a phased approach toward liberalising FDI in multibrand retailing and most of them agree with considering a cap of 49.5% of start with.

The International retail players such as Walmart, Carrefour, metro, IKEA and Tesco, Charles Lazarussshare the same vew and insist on a clear Path to word 100% opening UP in near feeliure. Large multination retailers such as US based walmart, Germany’s Metro As and Woolworths, the largest Australian retailer that operates in wholesale cash and carry ventures in India, have been demanding liberalization of FDI on multibrand retailer some time.

Thus as a matter of fact FDI in the buzzing Indian retail sector should not just be freely allowed but per contra should be significantly encouraged. Allowing FDI in multi-brand retail can bring about supply chain Investment in technology, manpower and skill development, tourism development, greater sourcing from Indian, up gradation in Agricultures, Efficient small and medium scale industries, Growth in market size and Benefits to government through greater GDP tax income and employment generation.

CONCLUSION

From the forgoing analysis be concluded that there is so such reason to hold on FDI in India’s retail sector when it is already allowed in other sectors. Because of its various benefits, it is recommended that foreign retailers should be allowed to make their Presence but in a selective and phased manner Keeping China’s experience in mind. There is an apprehension that with organized retail exploding, unorganized mem and pop stores would be forced to close down and would ultimately result in large-scale unemployment. But against this popular belief, unorganized sector while not fade from prominence with the presence of organized formats. It might alter its shape and form, but would definitely grow and remain a dominant contributor to the growth of economy. Following are the reasons that are why FDI is getting momentum in Indian economy:

1. Developing Countries, which invite FDI, can gain access to a wider global and better platform in the world economy.
2. This is one of the major sectors, which is enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of country.
3. Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country.
4. FDI apparently helps in the outsourcing of knowledge from india especially in the information Technology sector. Developing countries by inviting FDI can introduce world class technology and technical expertise and processes to their existing working process. Foreign expertise can be an important factor in upgrading the existing technical processes.
5. FDI increases the level of competition in the host country. Other companies will also have
to improve on their processes and services in order to stay in the market. FDI enhanced the quality of products, services and regulates a particular sector. Linkage and spillover to domestic firms- Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures in spent on the Indian market.

6. Employees of the country which is open to FDI get acquaint with globally valued skills.

FDI has also ensured a number of employment opportunities by aiding the setting up of industrial units in various corners of India.

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CORPORATE GOVERNANCE AND ACCOUNTABILITY

ARVIND KUMAR*  AUDHESH KUMAR**

ABSTRACT

This paper attempts to evaluate the role of corporate governance and its impact on financial performance of a company and confidence of the shareholders in the company’s board of directors. The corporate governance and disclosure requirements in India find place in many acts and accounting standards, issued by the institute of chartered accountants of India (ICAI). This paper also makes an attempt to provide an in-depth analysis about clause-49 of listing agreements of SEBI. This is the most exacting clause which will play a key role in deciding the accountability of the board of directors and in turn bringing veracity in the financial records of the company.

Key words: Corporate governance, corporate disclosure, corporate accountability, sebi guidelines, whistle blower policy.

INTRODUCTION

One of the key aspects of corporate governance structure is disclosure of relevant information in timely and accurate manner. This not only helps the stakeholders to monitor the activities and performance of the company, but also helps in building confidence of the investors in the capital market of the country. Corporate Governance refers to the role of the board of directors, shareholder voting and to the other steps taken by the shareholders to influence corporate decisions. One of the key elements of the improving financial performance of a company is good governance. Further, good corporate governance is also helpful in building confidence of the shareholders in the company's board of directors. Corporate governance is the system in which objectives of the company are determined and then the ways of achieving such objectives are established within specific legal, regulatory and institutional environment. The following are some of the areas where adequate disclosure is necessary for good corporate governance:

1. Disclosure of policies relating to social commitments, environmental objectives etc.
2. Disclosure of ownership structure and respective voting rights
3. Disclosure of related party transactions
4. Disclosure about individual members, executives as well as non-executive, their remuneration etc.
5. Disclosure on reasonable foreseeable material risks.
6. Disclosure on human resources policies of the company.
7. Disclosure of the governance structure and policies of the company.

In the present era of corporate governance in the globalized scenario is creating a situation where the individual countries are evolving Accounting standards on many issues in a synchronized manner.

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The importance of disclosure is so high that nearly all the Accounting Standards issued in the recent times give specific importance to disclosure requirements

**CORPORATE DISCLOSURE & GOVERNANCE IN INDIAN PERSPECTIVE**

The corporate governance and disclosure requirements in India find place in many Acts and Accounting standards, issued by the Institute of Chartered Accountants of India (ICAI). In this paper following Acts and other items have been covered to demonstrate the requirements of Corporate Governance in India.

1. **SEBI ACT** – Clause 49 as amended by circular number SEBI/MRD/SE/31/2003/26/8 dated 26/08/2003
2. **Companies Act, 1956**
3. **The Securities and Exchange Board of India ("SEBI")** issued a circular on August 26, 2003 to all the Stock Exchanges, revising Clause 49 of the Listing Agreement of the Stock Exchanges ("Listing Agreement"). Clause 49 of the Listing Agreement deals with the corporate governance compliances that an Indian listed company is required to fulfill as part of its listing obligations. Some of the salient amendments to Clause 49 have been summarized below:

**BOARD OF DIRECTORS**

Every company is required to have a certain percentage of independent directors on its board depending on whether the company has an executive chairperson or not. The definition of "independent directors" has been amended to mean a non-executive director who:

- Has not been an executive with the company in the immediately three preceding financial years.
- Is not a partner or executive of the auditors/lawyers/consultants of the company
- Is not a supplier, service provider or customer of the company
- Does not hold 2% or more of the shares of the company

There is certain minimum information that has to be made available to the members of the board prior to the board meeting, which ranges from annual operating plans and budgets to labor problems. A company is also required to lay down a code of conduct for members of its board and senior management.

**AUDIT COMMITTEE**

As per the new amendments, the Audit Committee is now required to review the following information on a mandatory basis:

- Financial statements and draft audit report
- Management discussion and analysis of financial condition and results of operations
- Reports relating to legal compliance and risk management
- Management letters issued by statutory/internal auditors
- Records of related party transactions
- Terms of appointment of the Chief internal auditor

**WHISTLE BLOWER POLICY**

A Whistle Blower Policy has been introduced whereby company employees will have the right to directly approach the Audit Committee of the company to report an unethical or improper practice.
Companies are required to facilitate this right to access and protect ‘whistle blowers’ from unfair termination and similar prejudicial employment practices.

**DISCLOSURE REQUIREMENTS**

Companies are required to make a clear disclosure of contingent liabilities. They are also required to disclose all elements of remuneration, details of fixed and performance based components, service contracts, severance fees, stock option details etc. in the annual report. Further, all compensation paid to non executive directors must not only be fixed by the Board of Directors but also approved by shareholders in a general meeting. As part of the director’s report, there must also be a report on Management Discussion and Analysis.

**CEO AND CFO CERTIFICATION**

The CEO and CFO are required to certify that they have verified the following:

- Veracity of accounts of the company, including balance sheet and P&L account etc.,
- Establishment and maintenance of internal control systems of the company,
- Disclosure of significant fraud, if any, that involves management or employees having a significant role in the company’s internal control systems to the Auditors and Audit Committee.

**REPORT ON CORPORATE GOVERNANCE**

The amendments also provide a format for the Quarterly Compliance Report on Corporate Governance that must be submitted to the stock exchanges on which the company is listed, within 15 days from the close of each quarter. The above changes have been made keeping in mind the recommendations of the SEBI committee on Corporate Governance headed by Mr. N.R. Narayana Murthy. The changes also seem to be in consonance with the global developments on corporate governance requirements including the Sarbanes Oxley Act.

***The Companies Act, 1956:*** The Companies Act also stresses the requirements of Corporate disclosure vide the following provisions and sections as follows:

- Section 210: The Companies should present its Annual accounts in its AGM
- Section 211: This section prescribes method of preparation and presentation of Balance Sheet and Profit and Loss Account
- Section 212: This section provides for disclosure’ of certain facts about subsidiary company/companies
- Section 216: This section deals with audit requirements
- Section 217: This section requires that a report of Board of Directors be annexed in company’s annual report including the director’s responsibility statement indicating that in preparation of annual accounts the applicable accounting standards have been followed and annual accounts have been prepared on going concern basis etc
- Sec 224 to 229: This section deals with appointment, removal, qualification of auditors, their duties, and the contents of their report and audit of branches etc.
- Sec 233A: this section provided requirement of special Audit by the Central Government.
- Section 233B: This section relates to cost audit.
- Sect 383A: This section contains provisions of secretarial compliance certificate from a secretary in whole time practice and to attach the same with the director’s report.

**ACCOUNTABILITY- HOW EASY WOULD IT BE TO ACHIEVE**

The main rationale behind the bringing the much talked about Act of SOX and other similar provisions is to bring accountability over the board of directors,
who being at the helm of affairs of the company are able to snick away due to lack of any provisions of accountability. Be it International accounting standards, SOX, Basel II, HIPAA or clause 49 of listing agreements of SEBI, all are aiming at accountability, let us focus on how the accountability will be addressed with the above provisions:

**Certification of financial statements by CEOs and CFOs of the Company** : This much talked about provision of SOX has created a great impact on the accountability of the CEOs and CFOs, who erstwhile were not too much involved with the accuracy of the financial reporting. It may though appear to be a straight provision, yet much has to be read between the lines. The first thing that needs to be addressed is that all the provisions of the accounting standards and other Acts, should be resolved and set right before the financial statements get ready to be certified, it is not one man's job and needs lot of standardization and automation in the form of ERP and other software. The only way this can be achieved is through creation of a cell, which sees that all the provisions have been addressed in the preparation of the financial statements.

**Report on Corporate Governance** : Another provision in corporate governance is sending report on corporate governance within 15 days from the close of each quarter. This accelerate report will beat most of the accounting engines unless they are based on "real time reporting". This is no doubt another stiffer control over the financial reporting and corporate governance, but needs to be carefully handled.

The companies sending the reports have to be fully convinced before sending such report that they have collected all the information across various locations, to where there branch and other offices have been located that are needed for sending the information to prescribed authority.

**Disclosure requirements** : The following disclosure requirements have been prescribed to set accountability of the directors and other persons as follows:

- Clear disclosure of contingent liabilities.
- Disclose all elements of remuneration, details of fixed and performance based components, service contracts, severance fees, stock option details etc. in the annual report.
- Further, all compensation paid to non executive directors must not only be fixed by the Board of Directors but also approved by shareholders in a general meeting.
- As part of the director's report, there must also be a report on Management Discussion and Analysis.

The main objective of this clause is to highlight the payments being given to directors for the services rendered by them and to check whether any undue payment being received by the directors or not and secondly to provide a detailed list of contingent liabilities standing against the company. This requirement has been felt from long time but now has been strongly nailed in the disclosure requirements. Just to exemplify,

Suppose a company is facing litigation for termination of contract etc., and it is on the verge of losing the contract, yet it does not discloses this fact in the contingent liability clause. This will have material impact on the share prices and the working of the company in the ensuing period or may be the current period. Now it is important to provide enough information to the shareholders, both current and prospective, to judge about the performance of the company and take prudent decisions.
Training and Development: A Prominent Determinant for Improving HR Productivity

Mohi jain*

ABSTRACT

“There is nothing training cannot do; nothing is above its reach; it can turn bad morals to good, it can destroy bad principles and create good ones, it can lift men to angel-ship” - Mark Twain. “Tell me and I forget, teach me and I remember, involve me and I learn” - Benjamin Franklin. An organization is as good as its employees. Human capital is increasingly regarded as one of the major drivers of productivity, economic growth and competitive advantage. As a demand-driven approach to human resource and skills development, the Training and development builds and strengthens relationships with and among workplace partners and better engage employers, unions to respond to the challenges of workplace skills development. Recognizing the importance of human capital, the training manpower sets out to generate: a skilled, adaptable, motivated and resilient workforce; a flexible, efficient labor market; a responsive strategy to meet employers’ needs for skilled workers; and a learned employee can retain customers and increase business & market share through proper behavior and good public relations. In order for an organization to produce professional career minded employees an investment has to be made and that investment is the money spent on training and development of employees. An investment in education, training and development is a sure payoff. Training activities should be aligned with overall objectives of the organization with a meaningful emphasis on value addition to human resources. Research Methodology used while conducting this study includes questionnaires, market survey and personal interviews with HR Managers; Personnel Managers; and Training and Placement Officers. Lastly training and development plays a very important role in improving the productivity of human resources.

Keywords: Training, Development, Human Resources, Manpower, Organization, Productivity.

INTRODUCTION

Training and development is vital part of the human resource development. It is assuming ever important role in wake of the advancement of technology which has resulted in ever increasing competition, rise in customer’s expectation of quality and service and a subsequent need to lower costs. It is also become more important globally in order to prepare workers for new jobs. In the current write up, we will focus more on the emerging need of training and development, its implications upon individuals and the employers. Noted management author Peter Drucker said that the fastest growing industry would be training and development as a result of replacement of industrial workers with knowledge workers. In United States, for example, according to one estimate technology is deskillling 75 % of the population. This is true for the developing nations and for those who are on the threshold of development. In Japan for example, with increasing number of women joining traditionally male jobs, training is required not only to impart necessary job skills but also for preparing them for the physically demanding jobs. They are trained in everything from sexual harassment policies to the necessary job skills. Human capital is increasingly regarded as one of the major drivers of productivity, economic growth and competitive advantage. Recognizing the importance of human capital, the training manpower sets out to generate: A skilled, adaptable, motivated

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and resilient workforce; A flexible, efficient labor market; A responsive strategy to meet employers needs for skilled workers; A learned employee can retain customers and increase business & market share thro’ proper behavior and good public relations. As a demand-driven approach to human resource and skills development, the Training 274 2012 International Conference on Management and Education Innovation IPEDR vol.37 (2012) © (2012) IACSIT Press, Singapore builds and strengthens relationships with and among workplace partners and better engage employers, unions to respond to the challenges of workplace skills development.

WHAT IS TRAINING

It is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees. Training is activity leading to skilled behavior. It’s not what you want in life, but it’s knowing how to reach it. It’s not where you want to go, but it’s knowing how to get there. It’s not how high you want to rise, but it’s knowing how to take off. It may not be quite the outcome you were aiming for, but it will be an outcome. It’s not what you dream of doing, but it’s having the knowledge to do it. It’s not a set of goals, but it’s more like a vision. 'It’s not the goal you set, but it’s what you need to achieve it'. Training is about knowing where you stand (no matter how good or bad the current situation looks) at present, and where you will be after some point of time. Training is about the acquisition of knowledge, skills, and abilities (KSA) through professional development.

NEED OF THE STUDY

Before we say that technology is responsible for increased need of training inputs to employees, it is important to understand that there are other factors too that contribute to the latter. Training is also necessary for the individual development and progress of the employee, which motivates him to work for a certain organization apart from just money. We also require training update employees of the market trends, the change in the employment policies and other things. The two biggest factors that contribute to the increased need to training and development in organizations are: 1st is Change: The word change encapsulates almost everything. It is one of the biggest factors that contribute to the need of training and development. There is in fact a direct relationship between the two. Change leads to the need for training and development and training and development leads to individual and organizational change, and the cycle goes on and on. More specifically it is the technology that is driving the need; changing the way how businesses function, compete and deliver. 2nd is Development: It is again one the strong reasons for training and development becoming all the more important. Money is not the sole motivator at work and this is especially very true for the 21st century. People who work with organizations seek more than just employment out of their work; they look at holistic development of self. Spirituality and self awareness for example are gaining momentum world over. People seek happiness at jobs which may not be possible unless an individual is aware of the self. At ford, for example, an individual can enroll himself / herself in a course on ‘self awareness’, which apparently seems inconsequential to ones performance at work but contributes to the spiritual well being of an individual which is all the more important. The critical question however remains the implications and the contribution of training and development to the bottom line of organizations performance.

OBJECTIVES OF THE STUDY

The main objectives of the study are: To explore the importance and benefits of Training and Development in improving HR productivity; To check the awareness and status of Training and Development among the professionals and various employees of various organizations in Punjab; To make the people aware about the role of Training and Development in an organization.
RESEARCH METHODOLOGY

The study was conducted through questionnaires, telephonic interactions and personal interviews. The study examines major aspects concerned with the issues and challenges of Human Resource Management (HRM). The data for study was collected from the human resource experts. This study is based on primary as well as secondary data. Specially framed questionnaires and interviews with Personnel Managers and Chief Executive Officers (CEOs) of well established organizations are to be used for survey purpose. Additionally, some support personnel (employees and faculty members of some well established institutes) are to be considered. Originality of this research paper lies in the real work done by conducting interviews and surveys in the real market.

Empirical Study: Case Study of Cadbury: Ensuring Consistency through Innovative Global Training (Induction) Programme:

275 Cadbury is a leading global confectionery company with an outstanding portfolio of chocolate, gum and candy brands. It has the number one or number two position in over 20 of the world’s 50 largest confectionery markets. Cadbury also has the largest and most broadly spread emerging markets business among all confectionary companies. With origins stretching back nearly 200 years, Cadbury’s brands include many global, regional and local favourites, including Cadbury, Creme Egg, Flake and Green & Black’s in chocolate; Trident, Clorets, Dentyne, Hollywood, Bubbaloo and Stimorol in gum; and Halls, Cadbury Eclairs and The Natural Confectionery Company in candy. With a diverse global workforce and an ongoing demand for induction, Cadbury faced a major challenge: ‘How can we engage our new colleagues early so they understand what’s great about Cadbury and feel part of our global organization?’ Cadbury knew that elearning was an engaging and practical way to progress but with limited past experience and the need to move quickly, it wanted a partner who could develop a creative solution for a demanding audience.

Business Drivers for Global Induction Programme

Being part of a global organization, employees follow the Cadbury ethos and culture of working as one team across geographic and functional boundaries. With a diverse and evolving global workforce, Cadbury faced a key challenge: induction training was inconsistent in content, quality and timing. Having a standardized global induction programme would help leverage the passion colleagues and consumers have for the company and its brands, and ensure consistency in the induction process around the world. In addition, Cadbury wanted to improve line manager accountability and capability with regard to their people management responsibilities which this initiative could strongly support.

Cadbury identified the following key drivers: Improve the quality of induction training by delivering a clear consistent message; Have something which is easy to use and maintain locally; Have the ability to link to other resources such as the intranet for more information on policies and processes; Be in an engaging format; Include a mechanism for tracking completion of the learning activity; Introduce all new hires to the performance management process (part of People Processes); People Manager Induction: Introduce newly hired and newly promoted managers to their role in people processes such as performance management and development planning at Cadbury.

The Global Induction Programme at Cadbury

The Global Induction Programme consists of four modules: 1st New Colleague Induction Module providing an introduction to Cadbury, its brands and organization structure and an explanation of its core values. 2nd Business Principles on how colleagues are expected to behave while conducting their day-to-day work. 3rd People Processes for all colleagues so they understand the people processes such as performance reviews and development planning. 4th People Management for line managers so they understand their role and what they need to be doing. A major consideration for Cadbury was that
the e-learning had to be engaging, interesting and interactive with an element of fun.

**Basic LMS with Element K’s ‘Knowledge Hub’ at Cadbury**

Once the decision to use e-learning for the Global Induction Programme had been taken Cadbury recognized that it would need the capability to manage, track and report on learning activities across the globe, hence the need for a basic LMS. The level of functionality was a key consideration, but for Cadbury the strength of the relationship and the increased understanding that NIIT were able to demonstrate of the Cadbury organization made the decision an easy one and Cadbury implemented Element K’s ‘Knowledge Hub’ (KHub). While Cadbury currently has a basic LMS, the organization anticipates that the central LMS will be expanded with more functionality over time.

**Five Key Lessons Learnt at Cadbury**

The first thing Cadbury stressed as a key ‘lesson learnt’ was ‘talk to IT’ and make sure they are involved very early in the process. Don’t assume the IT infrastructure will be ok. The second one is - Stakeholder management is also crucial. Third is - A realistic project plan with sufficient time for reviews and capturing responses, and perhaps going round the review process more than once! Fourth is - Allow the internal project team to review each stage of content before review meetings, thus ensuring that conference calls are much more productive. The calls worked best when written feedback from the team was collated before the call, meaning the project team call only needed to cover outstanding issues. Fifth is - Focus on embedding in the organization rather than just the initial launch. Cadbury wanted an e-learning solution that addressed its key requirements of being engaging, global and consistent. It’s gone well but it’s just the beginning of this e-276 learning journey, and it will be fascinating to see how this evolves in the future. Cadbury knows that the characteristics of a great and growing relationship with NIIT are honesty, openness, trust and communication.

**SURVEY RESULTS**

- 79% of the HR Managers were of the view that Training and Development helps in optimizing the utilization of human resource that further helps the employee to achieve the organizational goals as well as their individual goals.
- 80% of the respondents opined that Training and Development helps to provide an opportunity and broad structure for the development of human resources’ technical and behavioral skills in an organization. It also helps the employees in attaining personal growth.
- Nearby 78% of the respondents were of the opinion that Training and Development helps in increasing the job knowledge and skills of employees at each level. 70% of the respondents were of the view that it helps to expand the horizons of human intellect and an overall personality of the employees.
- Only 60% of the respondents believed that Training and Development helps in increasing the productivity of the employees that helps the organization further to achieve its long-term goal.
- Training and Development helps in inculcating the sense of team work, team spirit, and inter-team collaborations. It helps in inculcating the zeal to learn within the employees.
- Nearby 70% of the respondents agreed that Training and Development helps to develop and improve the organizational health culture and effectiveness. It helps in creating the learning culture within the organization.
- Only 58% of the respondents were of the opinion that Training and Development helps building the positive perception and feeling about the organization. The employees get these feelings from leaders, subordinates, and peers.
- Only 57% of the respondents were of the point
that Training and Development helps in improving upon the quality of work and work-life.

- 60% of the respondents were of the opinion that Training and Development helps in creating the healthy working environment. It helps to build good employee, relationship so that individual goals aligns with organizational goal.

- 61% of the respondents agreed to the point that Training and Development helps in improving the health and safety of the organization thus preventing obsolescence.

- Only 55% of the respondents agreed to the point that Training and Development helps in improving the morale of the work force.

- Nearby 56% of the respondents responded in an effective manner that Training and Development helps in creating a better corporate image.

- Nearby 56% of the respondents responded in an effective manner that Training and Development leads to improved profitability and more positive attitudes towards profit orientation.

- Only 58% of the respondents agreed that Training and Development aids in organizational development i.e. Organization gets more effective decision making and problem solving. It helps in understanding and carrying out organizational policies.

- Nearby 59% of the respondents responded that Training and Development helps in developing leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display.

**FINDING OF THE STUDY**

Training and Development helps in Optimum Utilization of Human Resources; Development of Human Resources; Development of skills of employees; increases the Productivity of the employees that helps the organization further to achieve its long-term goal; inculcates Team spirit; helps to develop and improve the organizational health culture and effectiveness; helps building the positive perception and feeling about the organization; helps in improving upon the quality of work and work-life; helps in creating the healthy working environment; It helps to build good employee, relationship so that individual goals aligns with organizational goal; helps in improving the health and safety of the organization thus preventing obsolescence; helps in improving the morale of the work force; helps in creating a better corporate image; leads to improved profitability and more positive attitudes towards profit orientation; aids in organizational development i.e. Organization gets more effective decision making and problem solving; helps in developing leadership skills, motivation, loyalty, better attitudes, and other aspects that successful workers and managers usually display.

**CONCLUSION**

Training is a learning process that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees. Training and Development helps in Optimum Utilization of Human Resources; Development of Human Resources; Development of skills of employees; Productivity of the employees; helps building the positive perception; helps in improving upon the quality of work and work-life; healthy working environment; good employee, relationship; helps in improving the health and safety of the organization thus preventing obsolescence; helps in improving the morale of the work force; helps in creating a better corporate image; leads to improved profitability and more positive attitudes towards profit orientation; aids in organizational development; effective decision making and problem solving; developing leadership skills, motivation,
loyalty, better attitudes, and other aspects. Training is often neglected due to Urgency of need; Training time; Costs; Employee turnover; Short-term worker; Diversity of worker; Kinds of jobs (simple-complex); and Not knowing exactly what you want your people to do and how.

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Non Government Organization in India: An Overview

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ABSTRACT
The term non-governmental organization (NGO) came into use in 1945 because of the need for the UN to differentiate in its Charter between participation rights for intergovernmental specialized agencies and those for international private organizations. At the UN, virtually all types of private bodies can be recognized as NGOs. They only have to be independent from government control, not seeking to challenge governments either as a political party or by a narrow focus on human rights, non-profit-making and non-criminal. As of 2003, there were reportedly over 20,000 NGOs active in Iran. The majorities of these organizations are charity organizations; and thus would not fall under the category of development-oriented NGOs, in this document the term NGO is primarily used for organizations other than charitable organizations.

Keywords : NGO, Society, Community

INTRODUCTION
NGOs are components of social movements within a civil society. In the case of India, where civil society is not yet mature, NGOs can have an important role in strengthening the foundations of an emergent civil society. The issue of independence is an important one in the credibility of an NGO. It is hard for NGOs not to come under any governmental influence. Individual governments do at times try to influence the NGO community in a particular field, by establishing NGOs that promote their policies; this has been recognized by quite common use of the acronym GONGO, to label a government-organized NGO. Also, in more authoritarian societies, NGOs may find it very difficult to act independently and they may not receive acknowledgment from other political actors even when they are acting independently. On the other hand, development and humanitarian relief NGOs need substantial resources, to run their operational programs; so most of them readily accept official funds. It is thus important for the NGO to have transparency in its operations and goals so that its relationship. NGOs can be distinguished into two groups: Operational and advocacy NGOs. This may be interpreted as the choice between small-scale change achieved directly through projects and Large-scale change promoted indirectly through influence on the political system. Operational NGOs have to mobilize resources, in the form of financial donations, materials or volunteer labor, in order to sustain their projects and programs. This process may require quite complex organization. Finance obtained from grants or contracts, from governments, foundations or companies require time and expertise spent on planning, preparing applications, budgeting, accounting and reporting. Major fund-raising events require skills in advertising, media relations and motivating supporters. Thus, operational NGOs need to possess an efficient headquarters bureaucracy, in addition to the operational staff in the field. Advocacy NGOs will carry out much the same functions, but with a different balance between them. Fund-raising is still necessary, but on a smaller scale and it can serve the symbolic function of strengthening ‘the donors’ identification with the cause. Persuading people to donate their time is

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necessary, but, in addition to a small number of people giving a great deal of time, it is also necessary to be able to mobilize large numbers for brief periods. External donors may not impose onerous administrative burdens, but supporters still have to be supplied with information on an efficient regular basis. Major events will aim to attract favorable publicity rather than raise funds. Therefore, despite their differences, both operational and advocacy NGOs need to engage in fund-raising, mobilization of work by supporters, organizing special events, cultivating the media and administering a headquarters. Only the defining activities - implementing projects or holding demonstrations - serve to differentiate them. In reality, the distinctions are not as sharp as the labels suggest. Operational NGOs often move into advocacy when projects regularly face similar problems and the impact of the projects seems to be insufficient. All the large development and environment operational NGOs now run some regular campaigns, at least by supporting campaigning networks. Similarly, advocacy NGOs often feel they cannot ignore the immediate practical problems of people in their policy domain. Human rights NGOs and Women's NGOs end up having programs to assist the victims of discrimination and injustice.

**NGO ACTIVITIES**

In the case India NGOs can have an active role in the following spheres

**Community Health Promotion and Education**
- Contraception and Intimacy Education
- General Hygiene
- Waste Disposal
- Water Usage
- Vaccinations
- Youth Counseling Services

**Emerging health crises**
- HIV/AIDS education and support
- Hepatitis B education

**Drug Addiction recovery**

**Community Social Problems**
- Juvenile crimes
- Runaway girls
- Street Children
- Prostitution

**Environmental**
- Sustainable water and energy consumption education
- Keeping mountains and forests clean

**Economic**
- Microenterprises and Microloans
- Skill training (Computers, technician training, catering services and textile, etc.)
- Product promotion and distribution (Bazaars etc.)
- Cooperative creation
- Financial consulting
- Career services and job search assistance

**Development**
- School construction
- Infrastructure construction
- Cultural center construction and operation
- Agriculture and Aquaculture expert assistance

**Women's Issues**
- Women and Children's Rights
- Battered women assistance center
- Group therapy for sexually abused women
- Counseling hotlines (telephone-based counseling services for women)
- Legal assistance to women
- Literacy drives
NGO Approach to Solving Community Problems

When an NGO approaches solving a problem, it can pursue the following structure:

- Gather information on the issue
- What exactly is the problem?
- What is causing the problem?
- Who are the persons/organizations responsible (for e.g. it could be a particular department of the government/an industry)?
- What are the consequences going to be? Assess magnitude, quality and prevalence.
- What are the alternatives/possible solutions?
- How much would they cost? Is it better to invest the money in other projects?
- Talk to people in the community to hear different views that will enable a holistic view of the issue.
- Talk to people who are in-charge and hear their side of the issue. Tell them about the problems that you see.
- You may be able to work towards solving problems together if you do not see yourself as hostile parties.
- Connect with people to increase awareness.
- Ask older, influential or respected people in the community to address public gatherings.
- Use the media (newspapers and the internet) to generate interest, communicate the facts and discuss options.
- Write polite, succinct articles for magazines and newspapers identifying the issues.
- Include people from diverse backgrounds, so that your organization is not linked with any particular political party or religious sect.
- For fundraising purposes, let people know why funds are needed and how they will be used. Transparent and detailed accounts are imperative to build trust.
- Link up with other NGOs to maximize the effect of the effort.

Establishment Process of NGO

Bylaws are internal documents, a set of rules that enables each organization to conduct its affairs. It is written clearly and in language that is easily understood by all organization stakeholders. This document is frequently necessary for the registration of an NGO with national and public authorities. Typical items addressed in the bylaws are:

Name and purpose of the NGO- the Purpose is usually a restatement of the NGO’s Mission Statement, but can contain additional details.

The frequency, notice, and quorum requirements for organizational meetings- These can be internal or regular meeting of the NGO, or external meetings such as those for the general public with other stakeholders etc.

Voting qualifications, proxies, and procedures for approval of boards- This is related to the governance structure of the NGO’s board. The number and term for members of the board, scope of authority, method of nomination and election to the board, and provision for filling vacancies.

Membership and authority of committees or working groups. Many of a NGOs’ work is done through sub-committees or groups, and provisions need to be made for such committees. Title and scope of authority for the executive director and other staff members who are responsible for the day to day functioning of the NGO.

Record-keeping and financial reporting responsibilities- in many countries this is necessary for the maintenance of the tax-exempt status of an NGO.

Amendment procedures for the bylaws and provisions for dissolution of the organization-

Writing and gaining approval for a set of bylaws takes thought, time, and the involvement of the Organization’s constituents- Bylaws should be written with an emphasis on fair Strategy and transparent governance.
Constituting an NGO Board

There is a growing need for nonprofit and nongovernmental organizations (NGOs) throughout the world to be more effective and productive. One of the many Ways they are achieving this is by broadening and strengthening the constitution of their Boards. An increase in the effectiveness of NGO board itself has been achieved by bringing together organizations and leaders with a shared interest in the work of boards; building capacity by training; and developing management and governance tools. Having a good and effective NGO Board provides a basis for successful management of its organization; familiarizes its target constituents with the activities of the NGO; help in better understanding the organizational structure of the NGO, and also assists in distributing responsibilities among the team members within the NGO organization. An NGO Board may be called by different names - 'Board of Directors; 'Steering Committee' 'Advisory Group' etc, the term 'Board' is used collectively and interchangeably to mean all these Names.

Board Functions

How does an NGO board function? What does it do? It first of all, sets policies and strategies for the NGO, in line with the agreed purposes, principles and scope of the NGO. It also sets operational guidelines, work plans and budgets for the NGO and policy and program support.

Many times, it is also called on to make funding decisions; It assists the internal workings of the NGO by setting criteria for membership of; and appointing, review panels and/or support groups. It may also establish a framework for monitoring and periodic independent evaluation of performance and financial accountability of activities supported by the NGO.

One of its main roles is representation of the NGO in the larger community. It represents views of the NGO in various constituencies, or within the NGO community in relation to outside organizations. It is frequently asked to coordinate with outside agencies, as well as advocate for the NGO, and mobilize resources. Often, the Board is the first contact that an NGO's target audiences have, and in some cases it is the first contact where people’s concerns are actually heard - due to the high standing of Board

Members in the community - The Board's presence in the field sometimes forces decision-makers to listen to affected peoples' concerns, and can help to open up alternative solutions. Within the board set-up itself; an NGO board selects and appoints chairpersons for the Board, and also participates on committees and working groups of the NGO.

Mandate and working methods

What is the mandate and working methods of an NGO board member? They participate fully in all meetings of the Board. Many NGO Board Members are also expected to participate in teleconferences and other virtual means of communications among Board members, the NGO community, networks and with the other NGO Board members - especially due to their work schedules etc. NGO Board Members advocate the participation of community representatives in the design, implementation and evaluation of policies and programs at all levels of the NGO. They provide input into equitable and appropriate allocation of resources and maintain a focus on issues of importance to the community and NGO movements in general. Board members also seek input from the community on key issues related to relevant documents and consult with and report to the broader community of NGOs and CBOs and people and communities, as well as appoint advisors for the NGO's programs and projects.

Composition of a Board

An NGO Board usually has 10 to 15 members, with a President, a Treasurer and other positions designated to specific tasks/issues related to the NGO's program areas. The member positions could be rotating and/or renewable.

Length of terms

The length of terms for NGO Board Members and Alternates varies from organization to organization, but usually ranges from one to three years.
Cessation of Appointment

Due to the nature of the work and contribution to the workings of an NGO board, a criterion for cessation of appointment is also usually set out. An NGO Board Member could cease to be a Member if he/she resigns; he/she no longer has an employer who is supportive of the time commitment required or he/she no longer has links to the organizations that secured his/her nomination and/or selection to the Board; he/she is unable to perform the agreed upon tasks; he/she is unable to work with the other NGO Board Members as part of a team; or if a conflict of Interest is declared.

Qualifications and criteria for selection

Who should become an NGO's Board Member? What criteria are necessary to select Board members? Based on the Board's functions, including representing the various constituencies, the process of selection of Board members (and their designated Alternates) takes several criteria into consideration. Board members should possesses an understanding of the scope of work of the NGP/NPO and opportunities it presents; the ability to strengthen the Board's understanding of NGO and other issues; have experience and responsibility to carry out tasks and roles of the Board; represent issues related to NGO involvement in its target issue/area; and represent issues related to the NGO’s target community. They should also have a minimum number of years in front-line community work, and an ability and capacity to communicate and network effectively and. Board Members are expected to have the ability to represent and promote the NGO publicly, as a Board member representing the NGO community; ability to act within a team setting; be gender sensitive; possess diplomatic and strategic political skills, including capacity to think and work strategically; possess the ability to work in international and local languages; and also have linkages to an organization that can facilitate communication and liaison; and provide consultation and support.

CONCLUSION

The structures of NGOs vary considerably. With the improvement in communications, more locally-based groups, referred to as grass-roots organizations or community based organizations, have become active at the national or even the global level. Increasingly this occurs through the formation of coalitions with other NGOs for particular goals, such as was the case in the case of the Bam earthquake for example. A civil society is composed of three sectors government, the private sector and civil society, excluding businesses.

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ISSUES AND PROBLEMS OF DEPOSITORY SYSTEM

Vishal Goel* Arvind Singh**

ABSTRACT
Concept of depository system essentially aims at eliminating the voluminous and cumbersome paper work involved in the scrip-based system and offers scope for ‘paperless’ trading through state-of-the-art technology. It enables conversion of physical securities in electronic form through a process of ‘dematerialization’ (also known as ‘demat’) of share certificates and facilitates share transactions and transfers electronically without involving any share certificate or transfer deed. It thus alleviates the hardship currently faced by the investors and it offers options for converting the shares from electronic to physical or paper from through a process of ‘rematerialization’. In this paper we will discuss about the issues of depository system.

KEY WORDS: Depository system, Demat, Issues

INTRODUCTION
Depositary System is, indeed, time-tested and long prevalent in many advanced countries and has been playing a significant role in stock markets around the world. In India, the first depository has been set-up by National Securities Depository Limited (NSDL), which is jointly promoted by IDBI, UTI and the NSE (National Stock Exchange) in accordance with the Rules and Regulations framed by SEBI. The constituents of depositories are Depository, Depository Participants (DPs), Companies Registrars, and Investors. Few years’ back, it was a concept of scrip-based system it was indeed a quite complex and time consuming and was riddled with a variety of problems like bad deliveries for several reasons, e.g.: Litigations and disputes in respect of shares purchased, Tearing and mutilation of certificates, Fake certificates, Loss of certificate in transit, Delay in postal transit, Time taken in processing, Mistakes in completing the details in transfer deeds, Stamp Duty/ postal charges, etc.

DEMATериALISATION
DEMAT is a process by which your share certificates are taken back by the company through your DP, verified and if found in order, demat is confirmed by the company and then an equivalent number of shares are credited by the DP to your account as electronic holding. The entire process of dematerialization has to be completed within a period of 15 days. The depository system is very much like our banking system as, NSDL holds securities in accounts, Safe keepings of securities, Transfers without handling securities, and Transfers securities between accounts.

REМАTERIALIZATION
Rematerialization is a process of converting your electronic holdings back into share certificates in paper form. The process of rematerialization is also carried out through your DP and the process has to be completed within a period of 30 days.

*Research Scholar, Mewar University, Chittorgarh, Rajasthan, India
**Principal, Raj Kumar Goel Institute of Technology (MBA Institute), Ghaziabad, India
SWITCHING OVER DEPOSITORY SYSTEM FROM SCRIP-BASED SYSTEM

The switching procedure is described here systematically:

**STEP 1:**
- Approach a DP of your choice and open an account just like we open an account with a bank.
- With the opening of account, you get identification number called ‘Client ID’ that serve as a reference point for all your transactions with the DP.
- Fill up a form called Dematerialization Request Form (DRF) to be provided by the DP and hand over your share certificates duly called by writing “surrendered for dematerialization” to them for demat. The DP will accept certificates registered only in your name.

**STEP 2:**
- Upon receipt of DRF along with the original share certificates, the DP sends an electronic request to Company through NSDL for confirmation of demat and simultaneously surrenders your DRF and share certificates accompanied by a standard letter to Company for demat confirmation.

**STEP 3:**
- The company is already equipped with the requisite hardware/software facility and is linked to NSDL network through a V-SAT connection. Your DP’s request for demat is thus electronically received by the company through NSDL without any delay.

**STEP 4:**
- As soon as the company receives the DRF and your share certificates, necessary verification is done and demat is confirmed to NSDL.

**STEP 5:**
- NSDL further confirms demat to your DP.

**STEP 6:**
- DP credits your account with the number of shares so dematerialized and thereafter you hold the securities in electronic form.
- Your DP also gives you a statement of holdings and updates your account after each transaction just like your bank account.

Depositories

The earlier settlement system on Indian stock exchanges was very inefficient as it was unable to take care of the transfer of securities in a quick/speedy manner. Since, the securities were in the form of physical certificates; their quick movement was again difficult. This led to settlement delays, theft, forgery, mutilation and bad deliveries and also to added costs. To wipeout these problems, the Depositories Act 1996 was passed. It was formed with the purpose of ensuring free transferability of securities with speed, accuracy & security. It has been able to do so by - a) Making securities of public limited companies freely transferable, subject to certain exceptions; b) Dematerializing the securities in the depository mode; and c) providing for maintenance of ownership records in a book entry form. For performing the above tasks, two depositories viz, NSDL & CDSL have come up. Both depositories have a network of Depository participants (DPs) which are further electronically connected to their clients. So, DPs act as a link between the depositories and the clients.

**NSDL:** National Securities Depository Limited does the above tasks for the trades done on NSE. It is a joint venture of: IDBI (Industrial Development Bank of India Limited); NSE (National Stock Exchange); and UTI (Unit Trust of India). NSDL is the first depository to be set up in India. It was registered by SEBI on June 7, 1996. The performance of NSDL may be seen in the following table:
CDSL: The second depository Central Depository Services Limited has been promoted by Bombay Stock Exchange and Bank of India. It was formed in February 1999. It facilitates holding of securities in the electronic form and enables securities transactions to be processed by book entry. The Depository Participant (DP), who as an agent of the depository, offers depository services to investors. According to SEBI guidelines, financial institutions, banks, custodians, stockbrokers, etc. are eligible to act as DPs. The investor who is known as beneficial owner (BO) has to open a demat account through any DP for dematerialization of his holdings and transferring securities. The performance of CDSL can be seen in the following table:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of certificates eliminated (Approx.)</td>
<td>1,435 Cr</td>
</tr>
<tr>
<td>Number of companies in which more than 75% shares are dematted</td>
<td>4,587</td>
</tr>
<tr>
<td>Average number of accounts opened per day since November 1996</td>
<td>3,598</td>
</tr>
<tr>
<td>Presence of demat account holders in the country</td>
<td>86% of all pin codes in the country</td>
</tr>
<tr>
<td>Investor Accounts</td>
<td>1,28,42,056</td>
</tr>
<tr>
<td>DP Service Centres</td>
<td>14,440</td>
</tr>
<tr>
<td>Demat Custody Value</td>
<td>75,19,828</td>
</tr>
</tbody>
</table>

Source: www.nsdl.co.in

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor accounts (Excluding closed accounts)</td>
<td>84,73,396</td>
</tr>
<tr>
<td>Equity</td>
<td>7,144</td>
</tr>
<tr>
<td>Debt instruments including debentures, bonds, Government securities,</td>
<td>6,609</td>
</tr>
<tr>
<td>certificates of deposits, commercial paper, pass through certificates and Others</td>
<td></td>
</tr>
<tr>
<td>Mutual fund units</td>
<td>15,394</td>
</tr>
<tr>
<td>Number of Depository Participants</td>
<td>573</td>
</tr>
<tr>
<td>Number of branches with LIVE Connectivity</td>
<td>181</td>
</tr>
<tr>
<td>Number of cities/towns with LIVE connectivity</td>
<td>111</td>
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<tr>
<td>Number of locations with LIVE connectivity</td>
<td>292</td>
</tr>
<tr>
<td>Number of securities in million</td>
<td>1,58,950</td>
</tr>
<tr>
<td>Value (Rs. in million)</td>
<td>94,97,370</td>
</tr>
</tbody>
</table>

Source: www.cdslindia.com

FREEZING OF ACCOUNT WITH DP

If at any time, as a security measure, you wish that no transaction should be affected in your account, you may accordingly advise your DP who shall then ensure that your account is totally frozen until further instructions from you. Working of Depository system introduction one of the biggest problem faced by
the Indian capital market has been the manual and paper based settlement system. Under this system, the clearing and settlement of transaction take place only with the use of paper work. The system of physical delivery of scrip’s poses many problems for the purchaser as well as the seller in the form of delayed settlements, long settlement periods, high level of failed trade, high cost of transaction, bad deliveries etc. In many cases transfer process takes much longer time then two month as stipulated in section 113 of companies Act, 1956 or section 22 A of the securities Contracts (Regulations) Act, 1956.Moreover, a large number of transactions end up as bad deliveries due to faulty compliance of paper work, mismatch of signatures on transfer deeds with specimen record of the issuer or other procedural reasons. Besides, theft, forgery, multination of certificates and other irregularities have also become rampant. However, as a consequence of implementation of reforms measures, the Indian capital market has shown rapid growth in the recent past with foreign investors, more stock exchanges and increased market intermediaries. The old manual system of settlement and transfer has almost failed to handle the growing volume of paper that has loaded the market. Thus, to eliminate paperwork, facilitate scrip less trading and electronic book entry of the transfer of securities, shorten settlement periods, and to improve liquidity in the stock market, it was found necessary to replace the old system of transfer and settlement with the new and modern system of depositaries. Accordingly the government of India enacted the depositories Act in 1996 for the orderly growth and development of the Indian capital market. It is a system whereby the transfer and settlement of scrip’s take place not through the traditional method of transfer deeds and physical delivery of scrip’s but through the modern system of effecting transfer of ownership of securities by means of book entry on the ledgers or the depositary without the physical movement of scrip’s. The new system, thus, eliminates paper work; facilities automatic and transparent trading in scrip’s, shortens the settlement period and ultimately contributes to the liquidity of investment in securities. The system is also known as, scriples trading system.

CORPORATE BENEFITS

When Company announces dividend, NSDL will provide the details of all persons having electronic holding of Company shares with reference to the record date/book closure and Company will disburse the dividend to such holders by sending dividend warrants directly to them as per the practice presently followed in scrip-based system. In case of rights/ bonus issues, the distribution of share entitlement will be done in electronic form by NSDL based on the information provided by Company.

For any discrepancy with regard to corporate benefits, you can always approach your Company/ DP for any assistance of clarification. The following are the benefits of depository system:

- As would be evident from the above, electronic transaction of securities eliminates the problems and delays arising out of scrip-based system.
- Bad deliveries are almost eliminated.
- There is no hassle, filling in transfer deeds and lodging/dispatching the transfer documents with the company, thus avoiding a lot of paper work.
- You no longer have to wait for the shares to be transferred in your name and suffer delays because of processing time.
- It thoroughly eliminates risks associated with loss/fraudulent interception of share certificates in postal transit.
- There is no scope for any risk of loss, theft of fraud with regard to share certificates.
- When you buy shares in depository mode, you become the owner of those shares in electronic from within a day of the completion of settlement. Similarly, when you sell shares in electronic from, you receive the payment much faster.
- Investment is highly liquid at all times, as there is shorter waiting period.
The marketable lot for transaction in depository mode has been fixed as one share. Therefore, the problem of odd lots is eliminated.

Once you open an account with the DP for Company shares, you can utilize the same for transacting securities of other companies, which are part of the depository system.

You save on stamp duty @ 0.5% of the market value of shares and although you incur some cost towards DP’s service charges, it could still lead to some savings. This however needs to be evaluated by the individual investor.

The Syndicate, thus, request you to evaluate seriously this option of investment. We would be pleased to provide our assistance.

Problems of the Depository System in India

India has adopted the Depository System for securities trading in which book entry is done electronically and no paper is involved. The physical form of securities is extinguished and shares or securities are held in an electronic form. Before the introduction of the depository system through the Depository Act, 1996, the process of sale, purchase and transfer of securities was a huge problem, and there was no safety at all. Following are the key features of the depository system in India.

1. Multi-Depository System: The depository model adopted in India provides for a competitive multi-depository system. There can be various entities providing depository services. A depository should be a company formed under the Company Act, 1956 and should have been granted a certificate of registration under the Securities and Exchange Board of India Act, 1992. Presently, there are two depositories registered with SEBI, namely, National Securities Depository Limited (NSDL), and Central Depository Service Limited (CDSL).

2. Depository services through depository participants: The depositories can provide their services to investors through their agents called depository participants. These agents are appointed subject to the conditions prescribed under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 and other applicable conditions.

3. Dematerialisation: The model adopted in India provides for dematerialization of securities. This is a significant step in the direction of achieving a completely paper-free securities market. Dematerialization is a process by which physical certificates of an investor are converted into electronic form and credited to the account of the depository participant.

4. Fungibility: The securities held in dematerialized form do not bear any notable feature like distinctive number, folio number or certificate number. Once share get dematerialized, they lose their identity in terms of share certificate distinctive numbers and folio numbers. Thus all securities in the same class are identical and interchangeable. For example, all equity shares in the class of fully paid up shares are interchangeable.

5. Registered Owner/ Beneficial Owner: In the depository system, the ownership of securities dematerialized is bifurcated between Registered Owner and Beneficial Owner. According to the Depositories Act, ‘Registered Owner’ means a depository whose name is entered as such in the register of the issuer. A ‘Beneficial Owner’ means a person whose name is recorded as such with the depository. Though the securities are registered in the name of the depository actually holding them, the rights, benefits and liabilities in respect of the securities held by the depository remain with the beneficial owner. For the securities dematerialized, NSDL/CDSL is the Registered Owner in the books of the issuer; but ownership rights and liabilities rest with Beneficial Owner. All the rights, duties and liabilities underlying the security are on the beneficial owner of the security.

6. Free Transferability of shares: Transfer of shares held in dematerialized form takes place freely through electronic book-entry system.

CONCLUSION

Share certificates, on dematerialization, are cancelled and the same will not be sent back to
the investor. The shares, represented by dematerialized share certificates are fungible and, therefore, certificate numbers and distinctive numbers are cancelled and become non-operative. It enables processing of share trading and transfers electronically without involving share certificates and transfer deeds, thus eliminating the paper work involved in scrip-based trading and share transfer system. Transfer of dematerialized securities is immediate and unlike in the case of physical transfer where the change of ownership has to be informed to the company in order to be registered as such, in case of transfer in dematerialized form, beneficial owner ship will be transferred as soon as the shares are transferred from one account to another. The investor is also relieved of problems like bad delivery, fake certificates, shares under litigation, signature difference of transferor and the like. There is no need to fill a transfer form for transfer of shares and affix share transfer stamps. There is saving in time and cost on account of elimination of posting of certificates. The threat of loss of certificates or fraudulent interception of certificates in transit that causes anxiety to the investors, are eliminated. Multiple regulatory frameworks have to be confirmed to, including the Depositories Act, Regulations and the various Bye Laws of various depositories. Additionally, agreements are entered at various levels in the process of dematerialization. These may cause anxiety to the investor desirous of simplicity in terms of transactions in dematerialized securities.

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In essence, management is about decision making, but in this dynamic business environment, decision making become a complex, risky and filled with uncertainties, so Marketing research helps to reduce such uncertainties, and will increase the probability of making accurate and right decisions with the help of collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications to draw results. Thus, marketing research may also be described as the systematic and objective identification, collection, analysis, and dissemination of information for the purpose of assisting management in decision making related to the identification and solution of problems and opportunities in marketing.

Marketing Research: An Applied Orientation is a practical guide on the subject of Marketing Research. The book motivates managers or marketers to begin by identifying the live market research problem, teaches them how to develop an approach, and goes on to explain the different types of Research Design approaches. The sixth edition of this book features four types of approaches to research - Experiential, Decision, Project and Active. It is especially beneficial for students and marketers, as it contains assignment on live project, and introduces role-playing activities that are based on practical situations that readers may encounter in a professional environment. In addition to providing detailed theoretical knowledge and know-how on popular market research software such as SPSS and SAS, the book also has a collection of case studies of companies and their marketing practices. A section is reserved for Data Collection, Preparation, Analysis, and Reporting. This section covers topics such as Correlation and Regression, Report Preparation and Presentation, Multidimensional Scaling and Conjoint Analysis, Fieldwork, Structural equation modeling and path analysis. The book is a comprehensive guide that details the benefits of market research, various techniques and strategies involved, and how to apply them at the workplace. This book covers wide topic which learner want to know about marketing research. Its detailed real life case analysis helps you to understand the major hurdles faced by the companies and how did they tackle it. As the author is marketing expert, researcher, consultant, trainer and faculty so they can understand the need of every learners. This book includes Fundamentals of Marketing Research and application to contemporary issue. By this book a beginner can also easily learn to use SPSS and SAS. In last author has tried to incorporate theory, practical cases, and techniques to bring a useful output.
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PROF JAGDISH PRAKASH  
Director, Institute of Public Enterprise Research, Allahabad

Prof. Jagdish Prakash is the Director of Institute of Public Enterprise Research and Indian Society for Management Development & Research. He was born on 4th January 1940 at Allahabad. He had his early school education at Moradabad and Allahabad in the state of Uttar Pradesh. Prof. Prakash did his D. Phil on Public Enterprises in India under the able guidance of Prof. B. N. Asthana, Ex Vice-Chancellor, Kanpur University in 1973. Before that, he completed his Master in Commerce from Allahabad University in 1961 in first division and first position. He obtained his bachelor degree from the same university in first division and first position. He was awarded Chancellor's Gold Medal for the Best Student of the University of Allahabad in 1961. He also got first division in High School and Intermediate examinations of UP Board.

Starting his career as a Lecturer in the Department of Commerce & Business Administration, University of Allahabad in 1962, he became Reader and Professor in the same department. He has also held the high offices of the Vice Chancellor for interim period, Pro Vice Chancellor, Director of MONIRBA, Dean- Faculty of Commerce, Head Department of Commerce, Director of Agro Economic Research Center, University of Allahabad with great distinction. He is known educationist and keen researcher in the field of Public Sector and Accounting. His work has been recognized both at national and international level. With keen interest in the functioning of Public Enterprises, Prof. Prakash has been actively engaged in research of policy making and structure of PSUs. Prof Prakash has successfully guided 39 D. Phil. Students and one student is carrying on research for his D. Lit degree. All research works guided by him are in the field of public enterprises.

He has published a number of books and research papers on the working and effectiveness of public enterprises. A few of his popular books are Administration of Public Enterprises in India, Public Enterprises in India – Control Aspects, Sickness in Public Enterprises, Privatisation of Public Enterprises in India, Current Business Scenario in India, Cost Accounting, Management Accounting, Business Organization and Management, Auditing etc. He has delivered numerous invited talks and chaired various sessions at national and international conferences in the country. He is the managing editor of a renowned research journal 'Indian Journal of Public Enterprises'. The Journal is being publishing since 1986 by IPER, Allahabad. Prof Prakash has chaired and is also associated as member of a large number of academic bodies including UGC. He has conducted around 20 EDPs. He was also appointed as Secretary, All India Curriculum Committee by UGC. He was member MOU panel, Department of Public Enterprises, Government of India and nominee Director of UPFC Kanpur.

We welcome and wish you continued success on behalf of RKG Group of Institutions.

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Dr. Arvind Singh born in Ghaziabad is the Chief Editor of the journal. He is heading the MBA Institute of RKGIT, Ghaziabad as principal. He has more than 20 years of experience of the Industry & Academia. He did his Ph.D. from CCS University Meerut. He earns his master degree in management from IMT Ghaziabad and Master in commerce from CCS University. He is a very good administrator and academicians. His area of interest for teaching is Accounting and Finance specialization. Prof. Singh has many publications to his credit in the form of Books, research papers, articles etc. He has published 10 research papers in reputed journals and presented 7 papers in national & International seminars. He has supervised over 100 research project of MBA students. He has organized several seminars including inclusive Growth & Innovative Practices in management. He is associated with many professionals bodies. The Executive Member of Ghaziabad Management Association, Member of All India Management Association and member of Indian society for management Development and Research. He is supervising four Doctoral theses.

ABOUT THE EDITOR

Dr. Vinay Kumar Srivastava is presently working as Associate Professor (Finance) in Raj Kumar Goel Institute of Technology, Ghaziabad. He has more than 12 years of experience of industry and academics. Dr. Srivastava, born in November 28, at Allahabad holds D. Phil. from Department of Commerce and Business Administration, University of Allahabad. He received his Masters in Commerce from University of Allahabad and in Business Administration from UP Rajarshi Tandon Open University. Prior to RKGIT he has served several prestigious institutions like Invertis Institute of Management Studies, Bareilly and Teerthanker Mahaveer Institute of Management & Technology, Moradabad. He also served as a Guest Faculty in the Department of Commerce and Business Administration, University of Allahabad. He is also a visiting faculty of Dr. K. N. Modi University, Newai, Distt. Tonk, Rajasthan and Mewar University, Ganganj, Chittorgarh, Rajasthan. He is approved Ph. D. supervisor of Mahamaya Technical University, Noida. His area of interest for teaching is Financial Management, Investment Management, and Business Statistics. He has published more than 60 research papers and articles at various national and international journals and has also participated and presented 27 research papers in national and international conferences and seminars. He has supervised over 100 research project report of MBA students and presently supervising one Doctoral thesis. He has also authored a book titled, ‘Privatization of Public Enterprises in India’. He is the founder Editor of SAARANSH: RKG Journal of Management and founder Managing Editor of ARASH: A JOURNAL OF ISMDR. He is the Guest Editor of “Advances in Management”. He is reviewer and member of editorial boards of Business Studies, SBS College, Delhi University, Journal of Business Solution, RBMI, Bareilly. He has also been involved in the preparation of study material for MBA program for Mahatma Gandhi Antarrasta Hindi Vishwavidyalaya, Vardha, Maharashtra. He is associated with many professional bodies which include life member of Indian Accounting Association, Indian Commerce Association and Institute of Public Enterprises Research, Allahabad and member of SCOPE, New Delhi.

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