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From the Chief Editor's Desk

It is indeed my plesure to present before our esteemed readers the Uttaranchal BBusiness Review's June 2015 Issue. The contributors have done a wonderful job by sending to us their valued research paper on diverse subjects.

The 'financial problems faced by self-help groups' has emerged as an important issue in he development of Indian economy. Dr. Kailash Chandra Mishra has highlighed the challenges of self-help groups in his research entitled "Financial Adequacy And Problems Of Self Help Groups - A Study OF Puri District IN Odisha, India".

MR Vishnuvardhan. A and his associates have discussed 'Demergers in Inddian Context'. Dr. P. Parmashivaiah and his team have explored consumers' attitude towards On-line shopping. Dr. Anil Kumar has studied entrepreneurial motivation in small scale sector. Mr. P.K. Mishra and S.K. Mishra have presented an interesting contemporary topic of integration of capital markets in the SAARC region.

Dr. Garima Malik has pointed out "an analytical approach to Customer Relationship Management (CSR) in the Banking Secto". Whereas, Dr. A. Muthuswamy and his associate have analysed the profitability issue of new private sector banks in our country.

We look forward to your feedback and suggestions for the further improvement of our journa.

Sincerely,
Dr. D.S Chaubey

FINANCIAL ADEQUACY AND PROBLEMS OF SELF HELP GROUPS A STUDY OF PURI DISTRICT IN ODISHA, INDIA

ABSTRACT

On the basis of a micro level study it is found that Credit has a positive and significant impact on income of the Self Help Group (SHG) members engaged in different economic activities. But utilizing the funds in different income generating activities, they are repaying the funds not as much as it is expected from them. The repayment ratio justifies the same. The amount of outstanding loan among the SHG beneficiaries is found, due to certain problems faced by the SHG members while undertaking income generating activities. These problems include marketing, finance, quality product, infrastructure and facilitator's support. Hence certain suggestions like, provision of adequate and timely finance, sufficient infrastructure, capacity building, skill up-gradation, creation of adequate marketing facilities, effective supervision and monitoring of investment activities, strong political will and inspection of the end use of the loan are prescribed to sort out the above mentioned problems such that SHG beneficiaries will flourish which will lead to rural development in the study area.

Key Words: *Self-Help Groups, Micro finance, Rural Development, Employment, Credit Income, Puri district.*

I. Introduction

Providing timely and adequate finance to the needy in the rural areas and ensuring access to various financial services to the rural low income groups have been two of the greatest challenges for the developing nations of the world. To overcome this, many countries have tried supply-led state interventions in rural credit markets involving capital or interest rate subsidies as possible solution. A plethora of formal and informal credit delivery channels involving commercial banks, co-operative banks, traditional money lenders, friends and relatives have extended credit. However, these channels are not free from risks and uncertainties. Gradually, the States felt that their policies towards extension of smooth credit to the rural low income households had been constrained by excessive collateral demand, differentiated interest rate structure and the prevalent credit risks due to the factors related to the productivity and returns generated from the units for which the loans had been taken. The credit risks were high, repayment was at its lowest ebb and loan accounts became bad assets for formal institutions. Excessive collateral along with high interest cost attached to the loans overburdened the

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client borrowers. Moreover, the declining productivity of agriculture and rural based activities did not generate adequate resources to cover the costs of the loans.

Keeping in view the problems of poverty in third world countries, Micro-Finance came to be advocated as the most effective approach to address the undesirable multidimensional problems of poverty. Micro-Credit came to be looked upon as a World-wide poverty alleviation solution when a "Micro-Credit Summit" was held in Washington, DC in February, 1997. This summit celebrated the success of millions of determined women of the developing world whose lives had been transformed from 'extreme poverty' to a somewhat 'Less Poverty' level through Micro Credit Programmes (Yunus, 1999). Further , the year 2005 was celebrated as the 'International year of Micro-Credit' where the world micro-credit promoters and practitioners vowed to launch a global movement to reach 100 million of the world's poorest families with credit for self-employment and other financial and business services by the end of 2005. Realising the same that it would not be possible by 2005; the development policy makers of world had decided to extend the target date to achieve the goal of serving 100 million of the world's poorest families by 2015 (Elahi, 2004).

Micro-credit institutions in the form of SHGs in recent years have emerged as an important link in the Rural Credit Delivery System (RCDS). The underlying strategy is to render self help and organize rural poor into groups by which, they get benefit of common perception, cooperative decision making and collective implementation of programmes for common benefit. The SHG holds power and provides strength. It can be an antidote to the helplessness situation of the rural poor. These institutions have developed a credit delivery model augmented by social development programmes to attain the twin objectives of development and empowerment.

II. Objectives

The major objectives of the present study are as follows:

- To assess the impact of credit on income of the stake holders.
- To investigate the problems faced by the SHGs and provide suitable policy options for successful working of the SHGs.

III. Hypotheses

- Micro Credit has a positive impact on income of the SHG members.
- SHG participation has a positive impact on social life of the members.

IV. Methodology

The field study has been restricted to Puri district of Odisha. The study is based on both primary and secondary data. The primary data have been collected by using well structured and pre-tested interview schedule. A multi-

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stage sampling method is used to elicit primary data from the respondents. All the Eleven community Development Blocks of the district are chosen. From each CDB, four Gram Panchayats are selected randomly. From each selected Gram Panchayat, six SHGs are selected which are formed and financed in 2004-05. Response from one leader and one member of each selected SHG is collected through the requisite schedules. Thus a total of 528 beneficiary respondents from 264 SHGs are covered in this study. Moreover information from four non-SHG members in each sample panchayat is elicited for comparative study. The primary data was collected during the period from October, 2009 to March, 2010.

(i) Reference Period

The study period spreads from April 2003 to March 2010. The pre-SHG period data relates to information in respect of the respondents from April, 2003 to March, 2004 and Post-SHG Period includes information from April, 2009 to March 2010.

The secondary data have been obtained from various published and unpublished reports of the departments such as Directorate of Economics and Statistics, Department of Panchayat Raj, Department of planning and coordination and Mission Shakti of Government of Odisha.

Statistical tools like percentages, ratios, mean and standard deviation, correlation and regression analysis have been used for comparative analysis. To know the impact of SHG participation and credit on income, OLS (Ordinary Least square) estimation is used.

V. Profile of The Study Area and The SHG Respondents

Puri is located in the eastern part of Odisha. Though in area it is one of the smallest districts of the state, it possesses a varied physiography. The historical background of the district along with geographical diversities contains the seeds of underdevelopment. The district is found to be an economically poor district with very low income and low per capita income compared to other districts of the state. The average density of population in the district is more than that of the state average. Eighty six per cent of the people in Puri district are living in rural areas and it indicates their poor economic condition.

From the analysis of socio-economic profile of the sample respondents, it is observed that more than half of the respondents belong to socially disadvantaged groups like SEBC, SC and ST. Most of the respondents are landless labourers, marginal farmers and small farmers with an income below poverty line. The respondents are less educated and lack scientific temper. Among the literate respondents, most of them have only primary education which is not sufficient to understand about the SHGs functioning and record keeping. Thus, it may be pointed out that the district needs special attention for improvement of education, employment and income so as to join the mainstream of development.

VI. Results & Discussions

Finance is the life blood of any commercial venture. Hence, adequate finance at a reasonable rate and at the right time is a must to ensure rapid economic development. But it is found that SHGs are not getting finance at the right time and at a reasonable rate. Further, whatever loan they are getting that is not adequate. Disbursed amount is much less than the proposed amount which is shown in the table-1

The overall disbursement is found to be 71.43 per cent of proposed amount. In the case of household industry there is highest per cent of disbursement to the extent of 81.51 and in agriculture there is lowest per cent of disbursement i.e.70.99

Table-1 : Distribution of Average Amount of loan Proposed & Disbursed among Different Activities

Economic Activity	Average Amount Proposed in Rs	Average Amount Disbursed in Rs	Disbursement as % of Proposed
Agriculture	11,900	8,448	70.99
Commercial Farming	14,600	10,387	71.14
Food Processing	15,500	12,000	77.42
Pisciculture	21,300	15,648	73.46
Livestock	17,500	13,696	78.26
Household Industry	17,700	14,427	81.51
Trade and Commerce	26,600	19,635	73.82
Others	18,200	11,152	61.27
Overall	17,650	12,608	71.43

Source- Compiled from the data collected

The members of SHGs express that they did not get cent per cent loan for which they proposed, indicating that they get loan less than their requirement. Thereby, the sample beneficiaries are not able to meet their financial needs.

It is found that the members received loans for both farm and non-farm activities. It is also observed that highest rate of interest is charged in case of pisciculture and lowest rate charged in case of agriculture. Though highest rate of interest is charged in case of pisciculture, yet it takes lowest repayment period. So in case of pisciculture, generation of income is higher and thereby the sample beneficiaries are able to repay the loan within a shorter period of time. In case of trade & commerce, the repayment period is highest because they have received highest amount of loan.

Table-2 : Distribution of Average Amount of Loan Received for Different Economic Activities & Interest rate Charged

Economic Activity	Average Amount Received (Rs)	Average Rate of Interest (%) Per Month	Average Repayment Period (In Month)
Agriculture	8,448	1.5	20
Commercial Farming	10,387	2	18
Food Processing	12,000	2	24
Pisciculture	15,648	3	18
Livestock,	13,696	2	22
Household Industry	14,427	2	20
Trade and Commerce	19,635	2.5	30
Others	11,152	2.5	15

Source- Compiled from the data collected

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The repayment ratio is worked out to be more than 50 per cent in the case of all activities except Livestock. The repayment ratio is highest in the case of Pisciculture (86.27 per cent) followed by Commercial farming, Trade & Commerce, Household Industry, Food Processing and Agriculture. The low repayment ratio in the case of Livestock (45.27 per cent) is due to its low income generation. The high repayment ratio of the SHGs under study suggests that poor are bankable and the groups are functioning well.

It is found that in Livestock & others, there are large amount of outstanding loan. But the activities like Household industry, commercial farming, food processing, Trade and commerce have less amount of outstanding and these activities are very much promising in the study area.

Table-3 : Repayment status of the Beneficiaries

Activity wise	Average Amt of Loan in Rs	Average Amt Repaid in Rs	Average Amt Outstanding in Rs	Repayment Ratio	Debt Service Ratio (in per cent)
Agriculture	8448	5800	2648	68.66	40.17
Commercial Farming	10387	8700	1687	83.76	26.08
Food Processing	12000	9800	2200	81.67	39.01
Pisciculture	15648	13500	2148	86.27	34.39
Livestock	13696	6200	7496	45.27	32.29
Household Industry	14427	11900	2527	82.48	42.14
Trade and Commerce	19635	16400	3235	83.52	36.99
Others	11152	7300	3852	65.46	34.48

Source- Compiled from the data collected

The debt-service ratio of the average borrowers is not high i.e. less than 43 per cent. This implies that smaller percentage of income is spent for repaying debt which will have a positive impact on the socio-economic status of the concerned group. As a result, more amount of income is remaining in the hands of the borrowers for their own expenditure.

Regression Results

The following regression model is estimated to know the impact of credit on income of the sample respondents.

$Y = \beta_0 + \beta_1 L + \beta_2 A + \beta_3 H + \beta_4 K$

Where Y= Income

L= Employment
A= Value of Assets
H= Size of Landholding
K= Credit

Table-4 : Regression Results

Dependent Variable = Income			
Independent Variables	**Regression Coefficients**	**S.E.**	**t-value**
Employment	0.34	0.115	2.956**
Asset	0.17	0.081	5.483*
Landholding	0.08	0.023	3.478*
Credit	0.21	0.067	3.134*
R2 =0.678			

Source- Compiled from the data collected

**= Significant at 5%

*= Significant at 1%

From the regression analysis it is found that all the independent variables employment, value of assets, size of landholding and credit have positive impact on income and they are statistically significant. Thus micro credit through SHGs has helped income generation of the sample respondents.

VII. Problems of SHGs

The SHGs are facing a number of problems while undertaking income generating activities. It is observed that 26.14 per cent of the total sample respondents perceived marketing as the main problem whereas 53.22 per cent experienced problems pertaining to timely and adequate availability of finance. While 12.31 per cent of respondents perceive product and its quality and 6.25 per cent perceive infrastructure as the main problem in the successful implementation of their self-employment ventures, only 2.08 ascribed facilitators' support as the problem area.

Table- 5 : Distribution of Sample respondents by Difficulties Encountered while operating self-employment ventures.

Difficulty Categories	**No. of Sample Respondents**	**% to Total**
Marketing	139	26.14
Finance	281	53.22
Product and Quality	65	12.31
Infrastructure	33	6.25
Facilitators' support	11	2.08
Total	**528**	**100**

Source- Primary data

Problems of Marketing

Marketing is an important area of functioning of the SHGs. However they face different problems in the marketing of products produced by them. Following are the major problems reported by the SHGs in the study area.

- Lack of sufficient orders.

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- Lack of Linkage with the marketing agencies.
- Lack of adequate sales promotion measures.
- Lack of permanent market for the products of SHGs.
- Absence of proper brand name.
- Poor/Unattractive packing system.
- Poor quality of products due to the application of traditional technology resulting in poor market.
- Stiff competition from other major suppliers.
- Lack of a well defined and well knit channel of distribution for marketing.

Almost all SHGs in the study area are facing the marketing problem in some form or the other. Particularly the activities like food processing, household industry and commercial farming are facing the above stated problems. The activities like buddy, papad and mixture making, chips & muduki making, mudhi making, Agarbati, bag, balita, basket and candle making are lacking with attractive packing system and absence of proper brand name. Further there is lack of adequate sales promotion measures resulting in low demand of the product produced by the sample beneficiaries. As a result, the sample beneficiaries are not getting sufficient orders. This is mostly found in satyabadi block, kakatpur block, Delanga block and Bramhagiri block. Besides the activities like agarbati, phenyl and coir rope are getting poor market due to application of traditional technology and poor quality product. This is a grave situation which should be handled seriously.

Problems of Finance

Finance is the backbone of any economic venture. It involves both demand and supply related problems. It is observed that financial institutions are not providing adequate finance to the SHGs which relates to supply side and SHG beneficiaries are interested to get more finance which is a demand related problem. The stake holders argue that they are facing financial problems due to inadequate financial assistance and non co-operative attitude of the bankers. It is found that in most of the SHGs, the financial assistance provided to them by the agencies concerned is not adequate to meet their requirements. The financial authorities also do not disburse subsidy in due time to the SHGs. Thereby the SHGs are not able to be self-sufficient. Further, most of the bank managers in the rural branches are outsiders who don't understand the local dialect. Thus, there is a communication gap between the stakeholders and bankers. On the other hand, financial institutions are very much concerned about their profit motive. They are of the view that due to weak financial management, low return and lack of proper documentation they are restricting the provision of credit. In this regard information has been sought from respondents on the timing of the bank officers' visit to the SHG economic units for monitoring the activity and suggesting any follow up action, if needed. Table 5.12 indicates the timings of the bank officers' follow up visit to SHG ventures.

Table 6 : Opinion of Sample Respondents about the Timings of Banking Officers follow-up visit to SHG ventures

Category	No. of Sample Respondents	% to Total
Before Sanction of Loan	146	27.65
After Sanction of Loan	64	12.12
Before & After Sanction of Loan	76	14.39
No visits	242	45.83
Total	**528**	**100**

Source- Compiled from the data collected

As is observed from Table-6, 45.83 per cent of total respondents stated that no bank official has ever made any visit to their economic unit whereas 14.39 per cent of beneficiary respondents explained that bank officials have made visits to the SHG before and after the bank's disbursal of loan. While 27.65 per cent of respondents indicated that bank officials have come to visit their unit before the sanction of the loan amount, 12.12 per cent of respondents have indicated that bank officials have visited their unit only after the disbursal of loan amount to them. So it can be construed that financial institutions are not considering SHGs seriously while providing finance and other helps. In most of the activities shortage of finance creates problems for growth of SHGs.

Problems Relating to Product and Quality

This is another major problem among SHGs. Due to inadequate training, the SHG beneficiaries are not able to produce quality products. The training facilities given to the members of SHGs in the study area on product selection, quality of product, production techniques, managerial ability, packing and other technical knowledge are not adequate to compete with that of strong units. It is found that in Nimapara, Pipili, Satyabadi, Kanas, Gop and Puri sadar Blocks, most of the SHGs are engaged in coir rope making, balita and broom making in a traditional way. It is also found that in agriculture the traditional way of cultivation is undertaken and in food processing the traditional method is also adopted for which quality of the product is affected. There by these groups are not getting substantial return which tells upon the sustainability of these SHGs.

Problem of Infrastructure

This is a common problem found in rural area. But members are not very much aware of it. Due to lack of infrastructures like roads and railways, cold storage, vending zones, SEZ, regulated markets and krusak Bazar etc., whatever output is produced is not brought to the market. The activities like, agriculture, commercial farming, pisciculture, and livestock are facing severe infrastructure problem for which they have to go for distress sale. Due to lack of communication, transport and internet facilities, the activities like trade & commerce, food processing and household industry are facing severe problems. These problems are found in most of the blocks. But this problem is more prominent in certain areas like Krushnaprasad, Brahmagiri, Astaranga Kanas, Delanga and Gop Block.

Problem of Facilitators' Support

This is very much important for the rural backward and illiterate people as they don't know how to get bank loan, maintain records, cash book and ledger. For obtaining assistance and support the group members have to approach the line officers or department officers. However, the officers are not very co-operative with the SHGs. Sometimes the officers are not able to understand the local language which creates a communication gap between the SHG members and high level officials resulting in intervention of middleman/touts. As a result, SHGs are not able to grow suitably. This problem is found in Krushnaprasad, Kanas, Astarang, Delanga, Satyabadi, pipili and Brahmagiri Block.

Problems Related with Raw Materials

Normally each SHG procures raw materials individually from the suppliers. They purchase raw materials in smaller quantities and hence they are not able to enjoy the benefits of large scale purchase like discount and credit facilities. Moreover, there is no systematic arrangement to collect raw materials in bulk quantities and preserve them properly. There is no linkage with major suppliers of raw materials. 42% of the SHGs are ignorant about the major raw material suppliers and their terms and conditions. All these causes high cost of raw materials. Thereby the SHGs are not capable to get a substantial return which raises the question about the viability of the SHGs. The activities like food processing, pisciculture, household industry and commercial farming are facing this problem. This is mostly found in Astaranga, Brahmagiri, Delang and Krushnaprasad block of puri district.

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VIII. Suggestions & Policy Implications

On the basis of the above findings the following suggestions are made for successful working of the SHGs.

- A careful selection of key activities in a particular area based on local physical and human resources and market demand is vital for the successful operation of micro enterprises.
- The selected activities under the programme should have the potential of generating income and employment sustained over a period of time helping the beneficiaries to effectively cross the poverty line and thereby rural development can be made. While preparing project reports for assistance under SGSY, the emphasis should be on aspects like availability and access to training, credit, technology, infrastructure and marketing facilities.
- In almost all the SHGs surveyed, the members are found to take up individual activities without carrying out a detailed feasibility analysis of the economic unit. This indicates that groups have only satisfied the objective of economic activation without fulfilling the criterion of social mobilization. It is understood this individualistic approach within the SHGs without a strong social mobilization would affect the sustainability of the employment venture taken up in a rural set up.
- Emphasis should be laid on participatory decision making while mapping the local resources, identifying and selecting economic activities. Field level programme monitoring mechanism should not only examine periodically the progress made by the beneficiaries in acquisition of assets, management of the economic unit and generation of income and employment from the unit along with its sustainability but also monitor the quality of operation of the SHGs.
- Efforts are to be made to expand rural bank network and to increase the access to these bank branches by linking more and more quality groups with them.
- The group should have regular meetings where the amount of contribution towards thrift is fixed and the interest rate to be charged on loans disbursed out of group corpus is arrived at. The group shall have to guarantee the repayment by the member borrower and decide the penalty to be levied on the defaulters. The group should formulate its own norms for sustainable development and should strive to follow the rules and regulations devised by them.
- The group should maintain proper accounts of their thrift collected and loans distributed amongst the members.
- For sustainability of SHGs, the government needs to set up educational awareness and skill amongst the client beneficiaries. An improvement in the literacy status is also needed to maintain simple basic records of the group such as Minutes book, Attendance Register, Loan Ledger, General Ledger, Cash Book, Bank Pass Book and individual pass books. The SHG member borrower should have awareness on the interest charged, amount of equated monthly installment to be paid to the bank and the detailed composition of the installment (i.e. principal and interest.). This is possible only if the members are imparted financial literacy through a basic orientation training followed by awareness generation programme on credit management.
- The study clearly highlights the policy implications like enhancement of necessary infrastructure in the backward regions, enhancement of education, capacity building and skill up-gradation, effective monitoring of investment activities by both the government and bank officials are the need of the hour. Thus, the immediate and imminent policy implication is to identify and narrow down problem areas under the programme, target the identified regions, ensure proper co-ordination amongst field level agencies to enhance the income and employment opportunities for the disadvantaged and deprived people in the rural areas of Puri district.

IX. Conclusion

Providing timely and adequate finance to the needy in the rural areas and ensuring access to various financial services to the rural poor are the major challenges faced in the study area. Finance is the life blood of any commercial venture. Hence adequate finance at a reasonable rate and at the right time is a must to ensure rapid economic development. But it is found that SHGs are not getting finance at the right time and at a reasonable rate. Further, whatever loan they are getting that is not adequate. Disbursed amount is much less than the proposed amount. By utilizing the funds in different income generating activities, they are repaying the funds not as much as it is desired from them. The repayment ratio justifies the same. The amount of outstanding loan among the SHG beneficiaries is found, due to certain problems faced by the SHG members while undertaking income generating activities. These problems include marketing, finance, quality product, infrastructure and facilitator's support. Hence certain suggestions like, provision of adequate and timely finance, sufficient infrastructure, capacity building and skill up-gradation, creation of adequate marketing facilities, effective supervision and monitoring of investment activities, strong political will and inspection of the end use of the loan are prescribed to sort out the above mentioned problems such that SHG beneficiaries will flourish which will lead to rural development in the study area.

Notes : In the study area the sample beneficiaries are engaged in different income generating activities. For the sake of simplicity and convenience, all the economic activities have been grouped into eight sub heads.

Agriculture includes cultivation of Paddy, Pulses and Turmeric.

Commercial Farming includes production of Sugarcane, Betel leaves, Mushroom, Vegetables and fruits such as Coconut, Cashew, Sapota, Jackfruit, Pineapple, Guava, Lemon and Orange.

Food Processing includes Rice making, Arisha & Kakara pitha preparation, Juice, Sauce, Jelly, Jam, Pickle preparation, Buddy , Papad & Mixture making, Chips & Muduki making, Biscuit and Mudhi making,Tamarind processing.

Pisciculture includes Fresh water Fishery, Marine Fishery, Prawn culture, Dry fish

Livestock includes Dairy, Goat and Sheep rearing, Poultry, Piggery, Bee keeping.

Household Industry includes Making of Agarbatti, Bag , Balita , Basket, Broom, Candle , Chandua & Cloth appliqué, Coir rope, Furniture, Handicraft, Phenyl preparation, Pottery and Terracotta, Toy and appliqués , Rice\Flour Huller.

Trade & Commerce includes Cloth shop, Imitation jewellery shop, Fertiliser & Pesticide storage and selling, Flower vending, Groccery Business, Sweet shop and Stationary shop.

Others include cycle repairing, net weaving, Brick kiln, Laundry, Catering Services, Mid-Day meal cooking, Tent house, Sea shell and Shipa

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DEMERGERS: AN EVIDENT STUDY OF THE INDIAN SCENARIO

ABSTRACT

Every business has to face the challenges of the ever changing environment. One such response to these changes is to take up corporate restructuring. Demerger is one such technique. It helps to improve value and performance of the company. An attempt was made to analyze the firms in a demerger. The study uses thirteen companies. For evaluating the performance of demerger two tools used were CAR and ROE.

The results show that eight out of the thirteen demerged companies had increased value to the shareholders.

Key words : *CAR, ROE, Demerger*

Introduction

Demerger is a form of corporate restructuring in which, a business or a part thereof is separated from the remaining business and is transferred into a separate entity. Demerger essentially involves splitting up of an organization or business into two or more entities. They are also referred to as spinoffs. Demergers have gained popularity in India post the economic reforms in 1991. In the last few months too, there has been an increased demerger activity across the globe. Some of the well-known business organizations that announced their demerger plans include EBay, HP, Arvind, Adani Enterprises etc.

Literature Review

Extensive study on demergers has been done in the US and Europe. The studies of (Desai & Jain, 1999), (Daley, Mehrortra, & Sivakumar, 1997) (Krishnaswami & Subramaniam, 1999) etc in the, were conducted in the US, while studies of (Qian & Sudarsanam), (Veld & Merkoulova, 2004) etc focussed on Europe.

(Singh, Bhowal, & Bawari, 2009), (Miles & Rosenfeld, 1983) etc conclude that, a demerger helps to increase the value of the firm. Sometimes, the increases in value for firm need not be on rational grounds but due to investor sentiments (Qian & Sudarsanam) and may not hold true in long run (Veld & Merkoulova, 2004). In their study, (Ahn & Denis, 2004) find that there is an improvement in the investment policy and efficiency post spinoff. The improvement according to (Chemmanur & Yan, 2004) is due to the improvement in management efficiency and productivity (Chemmanur, Krishnan, & Nandy) as a result of the demerger.

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In the Indian case, (Panda & Rao, 2012) find that there is an improvement in Profit Margin, Return on Capital Employed, Return on Net Worth and Earnings per Share for companies that have demerged. In the Indian context (Jayadev, Gayen, & Rakesh), by using *Economic value added* as a tool find that, a demerger helps in unlocking the value of a firm.

Statement of Problem

Objective

The objective of this study is to evaluate the performance of demergers.

Methodology Used

A case study analysis has been chosen to study 12 cases of demergers. The study makes use of two commonly used metrics to evaluate the performance of demerger. These are

a) Cumulative Abnormal Returns (CAR) using the market model and

b) Return on Equity

The CAR evaluates the stock market performance while the ROE evaluates the Financial Performance.

Cumulative Abnormal Returns (CAR)

CAR is the sum total of the abnormal returns earned by a security in a given period of time. The Cumulative Abnormal Returns (CAR) is calculated as the difference of actual returns over the expected returns from a security over a period of time. The study makes use of the market model for calculating the abnormal returns. The BSE Sensex has been selected as a proxy for the market.

$$CAR = \sum \left[Ai - (\alpha + \beta * Ri)\right]$$

Where ***Ri*** is the returns of the market index and ***Ai*** is the actual returns of the security on a given day. ? & ? are derived by regressing the particular security's returns and BSE Sensex returns.

Estimation Period : The period of the study for estimating the a and ß. This period ranges for three years i.e. -4 to -1 year from the day of demerger announcement.

Test Period : The study calculates the CAR over a period of three 2 years. It starts from -1 year up to +1 year from the date of announcement. The study uses calendar year for the various periods.

Return on Equity (ROE) : ROE is the returns attributed to the equity shareholders of the company. It is calculated using the DuPont analysis. Where

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$$ROE = \frac{(\text{Net Profit})}{\text{Sales}} \times \frac{\text{Sales}}{(\text{Total Assets})} \times \frac{(\text{Total Assets})}{(\text{Total Equity})}$$

The ROE of the firms is studied over a period of 3 years. It is compared with the 3 year average ROE for the firms prior to the demerger.

The twelve cases chosen for the study are as follows :

a) Demerger of Alembic Ltd (AL).

b) Demerger of Celebrity Fashions Ltd (CFL).

c) Demerger of Orient Abrasive Ltd (OAL).

d) Demerger of Bajaj Auto Ltd (BAL).

e) Demerger of Camlin Ltd (CL)

f) Demerger of LG Balakrishnan & Bros Ltd (LGBL).

g) Demerger of Rei Agro Ltd (RAL).

h) Demerger of Surana Telecom and Power Ltd (STPL).

i) Demerger of Triveni Engineering and Industries Ltd (TEIL).

j) Demerger of TCI Ltd (TCIL).

k) Demerger of Kalyani Steels Ltd (KSL).

l) Demerger of Rane group companies (Rane Engine Valves Ltd (REVL) and Rane Break Lining Ltd (RBLL))

Hypothesis

H_0: There is no difference in the stock market performance and financial performance of the company post the demerger.

H_1: There is improvement in the stock market performance and financial performance of the company post the demerger.

Data Analysis

Stock Market performance

The table reports the CAR earned by firm's security over a two year period around the announcement of the demerger. Out of the 13 firms studied, positive CAR is reported for 8 firms over the 2 year period. Negative CAR is reported for 5 firms. However, 2 firms out of these five reported near zero CAR.

Company	CAR
Alembic Ltd	29.00%
Celebrity Fashions Ltd	109.21%
Orient Abrasives Ltd	-1.11%
Bajaj Auto Ltd	-59.32%
Camlin Ltd	29.49%
LG Balakrishnan & Bros Ltd	-0.62%
Rei Agro Ltd	84.40%
Surana Telecom & Power Ltd	26.26%

Triveni Engineering and Industries Ltd	25.80%
TCI Ltd	39.83%
Kalyani Steels Ltd	81.73%
Rane Brake Linings Ltd	-23.06%
Rane Engine Valves Ltd	-38.70%

Financial Performance

The table reports the financial performance of the demergers. The comparison is made for both the Demerged firms (DF) as well as for the Resulting firms (RF). However, the resulting firms in the nature of NBFCs, financial services firms and investment firms are not studied as their accounting and reporting formats are very different.

Demerger Case	**ROE**		
		Pre Demerger	
	Post Demerger	**DF**	**RF**
Alembic Ltd	13.88%	-2.90%	24.60%
Celebrity Fashions Ltd	-4051%	35.42%	18.71%
Orient Abrasives Ltd	29.17%	7.64%	39.96%
Bajaj Auto Ltd*	20.81%	12.04%	46.00%
Camlin Ltd	-10.10%	52.89%	4.21%
LG Balakrishnan & Bros Ltd	13.80%	22.14%	-96.60%
Rei Agro Ltd	20.87%	15.48%	28.53%
Surana Telecom & Power Ltd	7.97%	1.53%	23.57%
Triveni Engineering and Industries Ltd	11.21%	6.81%	-28.19%
TCI Ltd	11.40%	14.50%	1.77%
Kalyani Steels Ltd*	74.08%	13.61%	NA
Rane Brake Linings Ltd*	15.71%	10.40%	NA
Rane Engine Valves Ltd*	17.20%	3.69%	NA

DF = Demerged Firms, RF= Resulting Firms

****Involved demerger of Finance or Investment Divisions that are not included in the study.***

Conclusion

Demerger is splitting of a company into two or more entities. The study was conducted for demergers for the period 2006-2011, with 13 companies. The objective of the study was to study the performance of selected demergers in India.. The study uses tools such as CAR and ROE. Using CAR the results were positive among Celebrity Fashions Ltd, Rei Agro Ltd and Kalyani Steels Ltd etc. Further, it was found that resulting firms had greater improvement in ROE. Resulting firms of Alembic Ltd, Celebrity Fashions Ltd, Bajaj Auto Ltd Camlin Ltd, Rei Agro Ltd, Surana Telecom & Power Ltd and TCI Ltd showed improvement in ROE. The ROE of demerged firms improved in Celebrity Fashions Ltd, Camlin Ltd, LG Balakrishnan & Bros Ltd and TCI Ltd. In eight out of the thirteen cases value has improved due to demerger. The resulting firms showed greater performance over demerged firms in ROE.

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A STUDY OF CONSUMER'S ATTITUDE TOWARDS ONLINE SHOPPING

ABSTRACT

Technological advancements led to new dynamics in marketing activities. Retailers found a new route through which to reach consumers and effecting sales. Online shopping has emerged as a result and it is in the nascent stage in India. Studies attempted to understand the behavior of consumers towards online shopping. After literature review, we attempted to understand the factors influencing the consumer behavior towards online shopping. By Adopting snowball sampling, 240 questionnaires were distributed to consumers. Factor analysis, kruskal-wallis test, chi-square test were conducted using SPSS. The results show that Risk and consumer service emerged as the important factors. Hypotheses were rejected showing the relationship between the level of satisfaction and Frequency of online shopping, online shopping experience, and e-stores. We have suggested that the Security, product information, privacy and price related issues to be looked into.

Key words : *E-Stores, Online Shopping, Consumers, Attitude, Factors, Satisfaction.*

Introduction

Technological advancement brought about many changes in marketing. Irrespective of the brand names, products sales have reached to new heights through internet and mobile marketing. In recent times, access to internet became very easy and affordable due to improved mobile phone technology and telecommunications. Total internet subscribers other than wireless phone subscribers, became 24.01 million. And also, it is estimated that around 27.5 million are active mobile internet users in India. This advancement has facilitated the internet usage and online marketing. Internet is selected as a marketing channel to perform marketing functions. According to a joint survey by apex industry body ASSOCHAM and COMSCORE, out of 125 million internet users in India, the female population accounts for nearly 40%. It is observed that 1/10th of Indians are online thereby making it about 10% online user penetration in India. Notably, 75% of the online users are between the age group of 15-34 years and thereby, India is one of the youngest online demographics in the world.

Online shopping in India is at a nascent stage and is about to witness a significant growth in the next few years. The online marketing is likely to reach USD 34.3 billion by 2015. There has been an emergence of a new trend of selecting internet for different marketing functions. Consumers are fully loaded with gadgets like I-phone,

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laptop, iPads with 24 hour internet connections. A new IBM study of 26000 global consumers released at National Retail Federation convention 2013 found that customers are diversifying the method of shopping the goods. The study also found that nearly half of online purchases in the study category of consumers browse goods at a store, but ultimately buy them online. The significant growth in internet users in India is the reflection of evolving nature of the market and the Indian consumers. The scope in e-commerce, B2C, B2B, is huge because of a large population base, changing consumer lifestyle and lack of infrastructure for retail malls and stores. Customers are becoming techno-savvy. Internet connections have become so pocket-friendly and affordable by everyone. Thus, all these factors are clear indications of a boom in online selling figure and a new trend in Indian retail capital market.

What is online shopping?

Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet using a web browser. Michael Aldrich is the man who invented online shopping in 1979. With the increasing internet literacy, the prospects of online marketing are increasing in India. Online shopping is also alternatively called as e-web-store, e-shop, e-store, internet shop, web-shop, web-store, online store, online storefront and virtual store. Indian E-commerce portals provide goods and services in a variety of categories such as Apparel and accessories for men and women, health and beauty products, books and magazines, computers and peripherals, vehicles, software, consumer electronics, household appliances, jewelry, audio/video, entertainment, goods, gift articles, real estate and services. In the comfort of one's own office or cyber cafe or any where across the globe, one can log on and buy just anything from apparel, books, music and diamond jewelry to digital cameras, mobile phones, MP3 players, video games, movie tickets, rail and air tickets. Ease, simplicity, convenience, comparability are the key advantages where as lack of security, no interaction and direct contact of sellers are the chief demerits of online shopping.

Need for the study

Technological innovations enabled the retailers to expand fast and provide better shopping experience to customers. Umpteen numbers of enterprises have adopted online selling practices. Different media channels are exhibiting different advertisements from host companies such as Ebay, Cleartrip, flipkart, amazon, Jabong, bestbuy, and so on. Thousands of web pages with different offers and discounts are flooded. The changes in the preference of Indian customers have made these changes in marketing world. Indian consumers have started considering shopping online as a better option. Though online shopping is at a nascent stage, it carries the potential to change the Indian market scenario. In this scenario of dynamic market world, it is imperative to understand the buying process and behavior of customers. And there is also a need to understand the factors that influence the decision making of customers in online shopping. In this endeavor, the researchers have attempted to study the most important factors motivating customers to go for online shopping.

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Review of Literature

Most of the studies attempted to explore the factors affecting behaviour of online buyers. Swaminathan, Lepkowska-White, and Rao (1999) identified vendor characteristics, security of transactions, content for privacy, and customer features as factors influencing. Wolfinbarger and Gilly (2002) found that consumers online shopping is both goal oriented and experience oriented. Miyazaki and Fernandez (2001) assert that perceived risk affected consumer online purchasing behavior negatively. They also found that Internet experience negatively related to security, privacy and perceived risk of online purchasing. Factors such as risk aversion, innovativeness, brand consciousness, price sensitivity, convenience, availability of variety, impulsiveness, attitude towards advertising, attitude towards shopping and attitude towards direct marketing would also influence much on online shopping behavior. All these factors have considerably been taken in various studies. Li, Kuo, and Russell (1999) found that consumers who make online purchases would perceive the web to have higher utilities in communication, distribution and accessibility than those who do not make online purchases, and frequent online purchasers perceive higher utility than occasional online purchasers and consumers who make online purchases considering themselves more knowledgeable about the web as a channel than those who do not make online purchases, and frequent online buyers consider themselves more knowledgeable than occasional online buyers. Jarvenpaa, Tractinsky, and Vitale (1999), found that perceived size, reputation, trust in store, attitude, and risk would be factors affecting online purchasing behavior. Lohse and Spiller (1998) suggest that the Privacy and security are much discussed factors with respect to online shopping behavior. It is also considered that the web merchants can provide third party verification to E-commerce web site, and while this privacy and security strategies are used, customers will think their Ecommerce transactions through internet are secure and the site becomes more reliable. According to Li and Zhang's (2002) there are ten impacts of relevant factors on online consumer behavior. These ten factors are categorized into five independent variables (external environment, demographics, personal characteristics, seller/buyer/service/product characteristics, and web site quality; and five dependent variables (attitude towards online shopping, intension to shop online, decision making, online purchasing and consumer satisfaction). The five independent variables directly determine attitudes towards online shopping. The vendor/service/product characteristics and web site quality directly affect consumer satisfaction. Studies focus on factors that explain consumer purchasing intention and adoption. According to this model, the behavior is predominantly determined by intention. The previous models stop at the consumers' adoption level and ignored the continuation level. No models attempted to capture the consumers' intention to continue. Understanding and predicting the consumers repurchasing behavior is utmost important. Amazon.com, Inc, Flipkart, Snapdeal.com, eBay Inc, HomeShop18, Myntra.com, Yebhi.com, Pepperfry.com, Tradus, Jabong.com, Best Buy Co., Inc are popular e-retailers. Mazaheri,E et.al.(2012), in their study 'The role of emotions in online consumer behavior: A comparison of search, experience and credence service, state that consumers' perceptions could be impacted by experience-based site such as the segments of entertainment, resources and effectiveness of shopping in e-retailer's site. Lu,L, et.al. (2013), in their study 'online shoppers' perceptions of e-retailers' ethics, cultural orientation, and loyalty: An exploratory study in Taiwan, state that certain elements affect consumers' perception on e-retailers in terms of security such as, in online transactions and the reliability of sharing personal data online which reduces the willingness to participate in online transaction. Ha,S. & Stoel, L.(2012) in their study 'online apparel retailing: Role of e-shopping quality and experiential e-shopping motives' found that the quality of e-shopping link to e-store's performance and its effectiveness can affect the consumer's perceptions of the products and services offer. Bezes.C.(2013) suggested in his study that the image of an online store could be set as an informative channel to every individual. Bonera,M.(2011) In their research 'The propensity of e-commerce usage: The influencing variables' recommends e-retailer to be conscious about the antecedents of the consumer acceptance of shopping in virtual world since there is a strong competition happening in e-commerce. Lu,L et.al. (2013) suggested that e-retailer should establish trust with the online shopper by providing good quality of goods or services in order to increase customer satisfaction as well as building customer loyalty for a long term relationship. They also commented that having a transparent security policy, strong data encryption system and reliable multi payment system, online shopper achieves the trust of the security. Chiou,J et.al (2009) in their research paper 'Buyer satisfaction and loyalty intention in online auctions: online auction web site versus online auction seller' highlights that privacy associated in protection of individual's data, details of credit card number and mode of web browsing in web sites. Therefore, e-retailer should be concerned about the policy issues in which the customers' information must be well protected to ensure the feeling of secure, trust and reliable feeling in them. Dennis, C. et.al. (2009) in their article 'E-consumer behavior' commented that E-shopping allows convenience that enables to increase the efficiency of searching information through removing the travel expenses and psychological costs in being frustrated.

Statement of the problem

From the above literature survey, it is found that the studies either narrow or important factors emerged in their studies were not consistent with one another. Therefore, considering all the relevant factors as variables, we proceed to understand the most important motivational factors that influence consumers for e-shopping, and the level of satisfaction in online shopping. Hence, the researchers have identified the statement of the problem as "A study of consumers' attitude towards online shopping."

Objectives of the study

- To understand the online shopping experience of the respondents
- To examine the factors influencing online shopping behavior of the respondents
- To study the relationship between online shopping experience and the level of satisfaction

Hypotheses

The following are the null hypotheses of the study:

$\mathbf{H_{01}}$: There is no significant difference in the mean perception of respondents towards the factors determine online shopping behavior.

$\mathbf{H_{02}}$: There is no association between frequency of online shopping and their level of satisfaction

$\mathbf{H_{03}}$: There is no association between online shopping experience and their level of satisfaction

$\mathbf{H_{04}}$: There is no association between E-Store from where goods are bought and the level of satisfaction

Research Methodology

The present study is quasi descriptive and quasi empirical in nature. The study considers both primary and secondary data. Secondary data mainly consists of available related literature. Primary data were collected by administering structured questionnaire including scale variables in the form of five point Likert scale. Snow ball sampling method was adopted for the study. We undertook this research work in Tumkur and Bangalore city of Karnataka state. Questionnaires were mailed to 300 identified respondents between November 2013 to July 2014, and we obtained 240 useful, completed questionnaires, and found sufficient for this type of survey.

Variables

In the present study, Demographics (Age, Gender, Income, Education, Marital status), and risk factors such as the reputation of retailers, Trust on web site, quality of website, security,; consumers orientation- convenience, and experience, price, easy to access, quality, privacy and security control, brand/ reputation, delivery/ logistic, after sales service, quality of customer service, and incentive are other variables included.

Tools used

We have used MS excel and SPSS version 20, for data analysis. Statistical techniques include descriptive statistics such as mean, standard deviation, and variance. It is found that the data violates the normality and homogeneity assumptions, when checked by using Kalmogorov-Smirnov test and Shapiro-Wilk test. Therefore, we relied on Chi-Square test, factor analysis, Kruskal-Wallis tests for testing the hypothesis and drawing inference.

Results and Analysis

SPSS version 20 was used for data analysis. Totally there were 31 items in the instrument. Data collected was edited and coded in the Software. Demographic variables consist of Gender, Age, Marital Status, Annual Income, education and occupation.

Table 1 shows the analysis of demographic variable of the study. Table 1 show that there are 190 (79.2%) male and 50 (20.8%) female. It is seen in the table that majority (60%) of the respondents are in the age group of below 30 years, 33.3% are in the age group of 30-40 years category, and only 6.7% are above 40 years. Majority of the sample (50.8%) are single, majority of the respondents are in income category of above Rs. 4 Lakhs, a major portion of the respondents (72.9%) are post graduation and majority of them are self employed.

Table 1 : Demographic Profile

		Count	**Column N%**
GENDER	Male	190	79.2%
	Female	50	20.8%
	Subtotal	**240**	**100.0%**
AGE	Below 30	144	60.0%
	30-40	80	33.3%
	40 & Above	16	6.7%
	Subtotal	**240**	**100.0%**
MARITAL STATUS	Single	122	50.83%
	Married	105	43.75%
	Widow/Divorcee	13	5.42%
	Subtotal	**240**	**100.0%**
ANNUAL INCOME	Below 200000	0	0.0%
	200000-400000	60	25.0%
	Above 400000	180	75.0%
	Subtotal	**240**	**100.0%**
EDUCATION	Up To Graduation	21	8.8%
	P.G	175	72.9%
	Professional/Doctorate	44	18.3%
	Subtotal	**240**	**100.0%**

OCCUPATION	Student	58	24.2%
	Govt Employee	30	12.5%
	Private Employee	52	21.7%
	Self Employed	82	34.2%
	Professional	18	7.5%
	Subtotal	**240**	**100.0%**

Table 2 shows the items frequently bought through online shopping. Of the total, 110 (45.8%) customers claim to have bought books, 22.9 % customers bought electronics items including computer accessories and tools, 17.5% have bought music.

Table 2 : Most Frequently bought Item in Online Shopping

Items Bought	Frequency	Percent	Valid Percent	Cumulative Percent
Books	110	45.8	45.8	45.8
Electronics	55	22.9	22.9	68.8
Music	42	17.5	17.5	86.3
Food Items	10	4.2	4.2	90.4
Games	9	3.8	3.8	94.2
Gift Items	14	5.8	5.8	100.0
Total	**240**	**100.0**	**100.0**	

(Source: primary data)

More frequently bought out items are books. Interestingly, majority of the consumers bought from Flipkart e-retailer, an Indian and Bangalore based online store. Similarly, eBay and BestBuy are the second preferred e-stores. Flipkart, was originally e-store for books. Today it has extended its marketing and more varieties of other products are also available. This is the most preferred online store for books. It is popular among the customer on online. In the present study,106 respondents claim to have frequently visited flipkart and also bought from it, where as Bestbuy share the second priority list according to respondents and 59 respondents claim to have purchases goods from eBay.

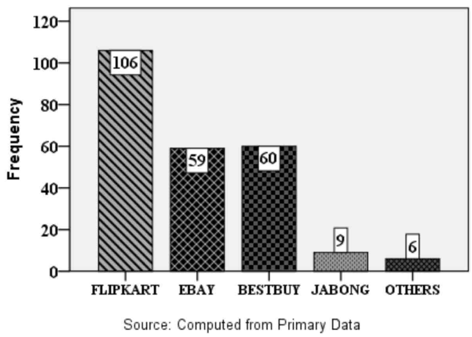

Figure 1 : The E-Store from where most frequently bought

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Figure 2 : Mode of Payment for your online buying

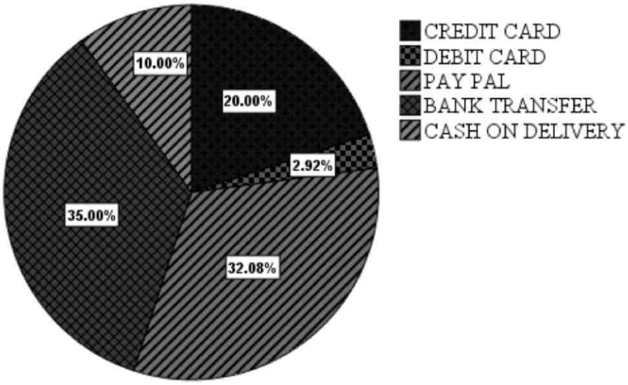

Figure 2 represents the mode of payment made by the respondents on their online buying. As shown in the pie chart, 35% of the respondents paid through net banking, 32% paid through paypal i.e. internet payment, 20% claimed to have used credit card, 10% paid cash on delivery and only 2.92% of the respondents paid through debit card.

Table 3 : Features that attract for Online Shopping

	Frequency	Percent	Valid Percent	Cumulative Percent
Website Design	105	43.8	43.8	43.8
Advertisement	46	19.2	19.2	62.9
Variety	23	9.6	9.6	72.5
Discount Offer	30	12.5	12.5	85.0
Low Price	36	15.0	15.0	100.0
Total	**240**	**100.0**	**100.0**	

(Source- Primary Data)

Table 3 highlights the important features that attracted the respondents to purchase goods online. Web site design attracted 105 (43.8%) respondents where as 19.2% have attracted to advertisements, 12.5% impressed with discount offer, and 15% of the respondents go for online because of the low price of the goods.

Table 4 : The Most Important Factor That Motivates You to Buy Online

	Frequency	Percent	Valid Percent	Cumulative Percent
Wide Range of products	28	11.7	11.7	11.7
No Hidden Costs	75	31.3	31.3	42.9
Easy Payment	65	27.1	27.1	70
Time saving	39	16.3	16.3	86.3
Privacy	33	13.8	13.8	100.0
Total	**240**	**100.0**	**100.0**	

(Source- Primary Data)

Table 4 indicates that 31.3% of the respondents claim that they buy online because there are no hidden costs and hence, the price would be lower than the regular stores where prices are higher due to maintenance and managerial costs. They buy online because the payment is easy since they need not take cash, 27% said they go online because of easy payment, 16.3% said that it is convenient and quite time saving as they need not go out and spent time much, 13.8% claim to have preferred online shopping since they have privacy of transactions.

Taking the variables identified from the literature survey and preliminary discussion with the customers, the researcher adopted factor analysis for dimension reduction and streamline the important influencing factor that determine the online shopping behavior of customers.

Factor Analysis

Factor analysis through which various factors of statements asked to the respondents are reduced to find out the important factors motivate to go for online shopping as perceived by the respondents. Before that, **Kaiser-Meyer-Olkin measure of sampling and Bartlett's test of Sphericity** (Table 5) was applied. Bartlett's test of sphericity was significant, supporting the factorability of the correlation matrix and the associated significance level was extremely small (**0.000**). A high value which is above 0.5 to 1.0 generally indicates that a factor analysis may be useful with the data. As here KMO value is 0.645 on factors perceived is more than 0.50, we found that the results of factor analysis are useful with the present data.

Table 5 : KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.645
	Approx. Chi-Square	1901.015
Bartlett's Test of Sphericity	df	120
	Sig.	.000

Source- Compiled from the data collected

For factor extraction, principal component method was used, under the restriction that the Eigen value of each generated factor was more than one. A factor analysis was conducted to develop constructs that will help to evaluate factors that are identified as key issues. 5 potential factors were generated, which explained **71.47** percent of the variance with the loss of only 29.63 percent of information. The extracted factors were then rotated using Variance maximizing method (Varimax). These rotated factors with their variable constituents and factor loadings are given in **Table 7**. Of the 5 factors identified Risk factors is the first factor emerged as an important component with the highest factor scoring and the total variance of 29.013 percent, the second factor is consumer orientation with the total variance of 16.5 percent, then follow Factors of reference, Information factor, and ease of Access.

Table 6 : Total Variance Explained

Component			**Initial Eigen values**	
	Total	**% variance**	**Cumulative %**	**Cronbach's alpha**
Risk Factors	4.642	29.013	29.013	
Consumer orientation	2.640	16.498	45.510	**.826**
Reference factors	1.504	9.400	54.910	
Information	1.428	8.925	63.836	
Ease of Access	1.222	7.638	71.474	

Extraction Method: Principal Component Analysis.

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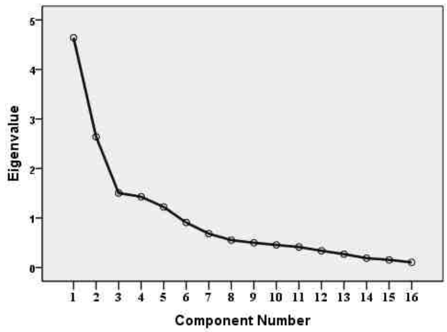
Figure 3 : Scree Plot



Scree plot in figure 3 highlights that fifth component beyond which there is a decrease in the initial Eigen values.

Table 7 : Rotated Component Matrixa

	Component				
	1	**2**	**3**	**4**	**5**
Convenience	**.791**				
Security	.787				
Trust of Web Site	.752				
Easy To Surf And Navigate	.662				
Privacy	.580				
Quality of Web Site	.517				
Quality of Customer Service		**.868**			
Customized Websites		.791			
Design of The Web Site		.759			
Accuracy of Product Delivery		.725			
My online buying decisions are based on E-referrals			.837		
My online buying decisions are based on preference of my social group			.803		
My online buying decision is always based on WOM from friends, peers, family members and people around me.			.759		
Availability of Complete Product And Related Information				**.867**	
I buy online according to the Style, Purchasing behaviour and Views of my social group.				-.730	
Easy of Accessing To Save Time, Money And Energy					**-.909**

Extraction Method: Principal Component Analysis.; Rotation Method: Varimax with Kaiser Normalization; a. Rotation converged in 5 iterations.

After finding the factors, we proceed to test our null hypothesis (**H_{01}**). We applied a non-parametric test- Kruskal Walli's test. Chi-Square values of the Kruskal Walli's test are shown in the Table 8. Corresponding to each of the component in all the 5 factors with highest extracted values, computed values of Chi-square under Kruskal-Walli's Test, and p values of each item are recorded. It is found that in two items, the p value is more than 0.05, the assumed level of significance. p values of the remaining three items are lesser than 0.05, the assumed level of significance. Our null hypothesis states that there is no significant difference in the perception of the respondents. Since p value is more than 0.05, we failed to disprove the null hypothesis. The null hypothesis in respect of the remaining three items were rejected and we can conclude that there is no significant difference in the perception of the respondents as regards Risk factors, and Customer orientation, but there exist the differences of opinion among the respondents on reference factors, educational factors and ease of access.

Kruskal-Wallis Test : Table 8 : Test Statistics[a,b]

Factors	Chi-Square	df	Asymp. Sig.
Convenience	4.840	2	.089
Quality of Customer Service	1.048	2	.592
My Online Buying Decisions Are Based On E-Referrals	29.828	2	.000
Availability of Complete Product And Related Information	40.592	2	.000
Ease of Accessing To Save Time, Money And Energy	62.453	2	.000

a. Kruskal Wallis Test; b. Grouping Variable : EDUCATION

Our second null hypothesis states that there is no association between the frequency of online shopping and the level of satisfaction. Table 9 shows the calculated chi-square value which is more than the critical value for 15 degree of freedom at 5% level of significance, and P value is less than 0.05, hence our null hypothesis was rejected and concluded that the level of satisfaction and the number of times online shopping done are related. we can infer that the potential benefits of online shopping can be perceived positive only after a considerable amount of experience.

Association between frequency of online shopping and level of satisfaction, Table 9 : Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	119.111[a]	15	.000
Likelihood Ratio	136.022	15	.000
Linear-by-Linear Association	4.390	1	.036
N of Valid Cases	240		

a. 13 cells (54.2%) have expected count less than 5. The minimum expected count is .38.

Our second null hypothesis states that there is no association between online shopping experience and the level of satisfaction. Table 10 shows the calculated chi-square value which is more than the critical value for 25 degree of freedom at 5% level of significance, and P value is less than 0.05, hence our null hypothesis was rejected and concluded that the level of satisfaction and online shopping experience in terms of the number of years of experience are related. we can infer that more the number of years of experience and more will be the satisfaction. It can also be concluded that only satisfied customer will continue online shopping.

Association between Online shopping experience and level of satisfaction, Table 10:Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	194.125[a]	25	.000
Likelihood Ratio	167.363	25	.000
Linear-by-Linear Association	.859	1	.354
N of Valid Cases	240		

a. 20 cells (55.6%) have expected count less than 5. The minimum expected count is .38.

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Our second null hypothesis states that there is no association between E-store from where goods are bought and the level of consumer satisfaction. Table 11 shows the calculated chi-square value which is more than the critical value for 20 degree of freedom at 5% level of significance, and P value is less than 0.05, hence our null hypothesis was rejected and concluded that the level of satisfaction and E-stores from where goods are bought are related.

Association between E-store from where goods bought online and level of satisfaction
Table 11 : Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	139.735[a]	20	.000
Likelihood Ratio	139.949	20	.000
Linear-by-Linear Association	2.271	1	.132
N of Valid Cases	240		

a. 20 cells (66.7%) have expected count less than 5. The minimum expected count is .18.

We can infer that customer satisfaction depends on varieties of issues and qualities that a company offers to its customers. Every E-store has its own strengths and weaknesses. Therefore, the present study is significant in terms of its attempt to bring to the light various factors that determine customers' online shopping orientation and satisfaction. Every firm and e-retailer needs to understand what the customer expects.

Findings and Suggestions

An important factor that determines customers' online shopping behaviour is the risk factor. Factors such as Convenience, privacy, trust of the websites, security and ease of navigation have emerged as the important factors from our study. It is also found from the study that customer service, after sales service, provision for feedback, ease of access to information and product related information must be available for customer to compare the product and price, quality of the service, and discount offer etc were rated by the respondents as important determinants.

The study attempted to understand the relationship between level of satisfaction and frequency of online shopping, years of experience, e-store from where goods were bought. We can suggest to the e-retailer to provide timely information through attractive advertising without any deception, conform to the policy that protect the customer information, ensure that the money and customer information is protected. Ensure that the navigation and payment becomes trouble free and safe for transferring price through net banking. In order to increase the sales and customer satisfaction, different offers and discounts, cash on delivery etc shall be assured.

Limitations

The major limitation of the study is the small sample and non-probability method. The study depends on customers' perception that is subjected to bias also. Therefore, it lacks generalisation and further study can be initiated with the more number of samples in metro cities.

Conclusion

With the increased techno-savvy youth population and penetrated mobile and internet technology, online shopping business has emerged as a new avenue for firms to improve their customer base and increase sales. The present study highlights the important factors that influence the customers' behaviour towards online shopping. The present study finds that there is no significant difference in the perception towards risk factors and factors of customers' orientation. However, there exists the difference in the perception of respondents as regards product information and accessibility factors. We can also conclude that there is an association between frequency of online shopping, years of experience, and E-store and the level of satisfaction. Online shopping in India is still at the nascent stage and requires firms to enlarge their services working on the important factors. When the security and related core issues are looked into by the firms, online shopping will become very prominent in India too in the coming future. As such, it would be more competitive also. The firms with competitive advantage will really exploit the opportunities.

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AN ANALYSIS OF THE RETAIL INVESTORS EXPERIENCE IN SECONDARY MARKET

ABSTRACT

Investor Protection is as important an issue in India today as it was earlier, but the whole complexion of the problem has changed. The structure as well as the functioning of the Indian capital market has been transformed beyond recognition since the 1990s. The Demographic profile of the investors, their perceptions towards capital market and the nature of problems bothering the investors are substantially different from the past. The retail individual investors are in the most disadvantageous position because they are not only scattered and unorganised, but also possesses limited authority and resources with relatively less knowledge. Investors may have number of grievances relating to secondary market. The aim of the study has been to collect detailed information on the issues relating to secondary market such as Dematerialisation, On-Line trading, Stock Brokers, in order to gain a deeper insight into the minds of retail individual investors.

Key Words : *Investors, Secondary market, Perception, Grievances.*

Introduction

The changes in economic scenario and the economic growth raise the question of interest of the Indian investors in the capital market. Capital Market reforms are critical to India's long term development. Securities markets facilitate channelizing of funds from non- productive sectors to productive sectors as well as from household sector to industries. Fairness of the system and smoothness of transactions are absolutely essential for such a market. Any kind of malpractices in the capital market may not only affect an individual investor but also the entire investor community. Investor's protection is fundamentally instrumental to healthy growth of a capital market. Investors, particularly the smaller ones, are always vulnerable to the fluctuations taking place in the capital market. Retail individual Investors are the backbone of the Indian capital market. The wave of Industrial liberalization unleashed in 1991 has linked various savings to the capital market. Millions of households are investing their savings in the Indian capital market since 1990s. The role of retail individual investors in an economy can be assessed from the fact that household sector accounts for about 90% of the gross domestic savings and about half of the same are invested in various financial assets. Hence, it is very crucial for a sound and persistent growth of an economy, that the interests of investors are protected. Therefore, for the protection of the retail investors, it is essential that these potential investors are to be provided with all the information necessary for them to take decisions.

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Research Design

The study examines the current position of retail individual investors with respect to their grievances in the secondary market in the light of reforms that have taken place since liberalization. The study is survey-based and for this purpose, a well- structured questionnaire has been prepared. The retail individual investors have been chosen on the basis of stratified convenience sampling. For the purpose of the study, two samples of 78 (NSDL) and 42 (CDSL) retail investors have been taken.

Objectives

Present work is being taken up with the following objectives

1. To identify the grievances of the retail individual investors.
2. To analyse the positive and negative aspects of various issues in secondary market.

Issues in the Secondary Market

1.0 Dematerialisation

The concept was introduced in the Indian Capital market in 1996 and made compulsory in 2002, with the setting up NSDL. There are two depositories in India- the NSDL and the CDSL. NSDL was the first depository and that is the reason why maximum number of respondents have their demat account with NSDL. As per table 1.1 Out of 120 respondents, 78 respondents i.e 65% have a demat account with NSDL and 42 (35%) respondents have account with CDSL.

Table 1.1

Variables	Frequency	Percentage
NSDL	78	65%
CDSL	42	35%

Source : Primary Study

2.0 Demat Accounts

The main objective of demat accounts has been to alleviate the ills associated with paper based securities system, like delay in transfers, theft, fake and forged shares, etc. The various benefits associated with this system include no stamp duty, faster settlement cycle and many more as specified in the table below :

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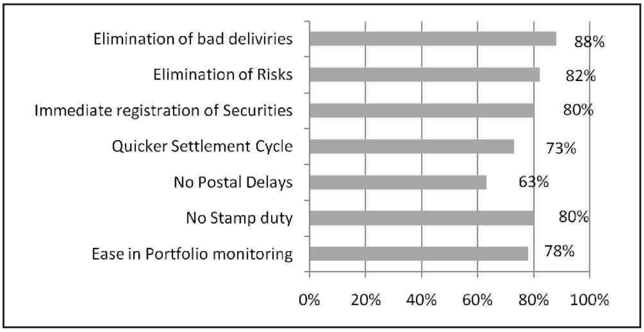
Figure 2.1 Positive Phases of Demat Account



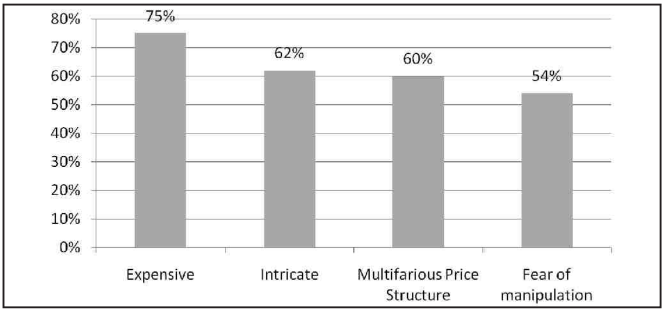
Source : Primary Study

As figure 2.1 shows, the elimination of bad deliveries is the top most positive aspect of Demat facilities with a score of 88%. Elimination of risks associated with physical certificates to be ranked second in terms of the positive of dematerialising with 82%. This is followed by immediate registration of securities with an 80% score. 'No stamp duty' ranks fourth with 80% score. 'Quicker settle cycle' and 'no postal delays' was ranked sixth and seventh with 73% and 63% respectively.

2.2 Negative Aspects of Opening a Demat Account

Respondents have been asked to rank the negative effects of demat facilities. Figure 1.3 shows that the major negative aspect of demat account is that these are very expensive. This received a score of 75% from the respondents. This is followed by intricate procedure with a score of 62% from the respondents. The negative aspect of demat account is associated with multifarious price structure with score 60%. Since many investors are not made fully aware of the services and associated charges upfront, they end up dissatisfied and fear of manipulation.

Figure 2.1 Positive Phases of Demat Account



Source : Primary Study

Table 3 : Online Trading

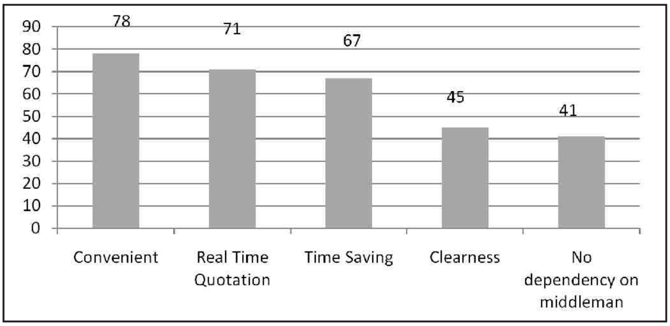
Variables	Frequency	Percentage
Aware	66	55%
Not Aware	54	45%

Source : Primary Study

As shown in the table above out of 120 respondents, 55% respondents are aware of on-line trading whereas 45% are not aware about online trading.

Aspects of Online Trading

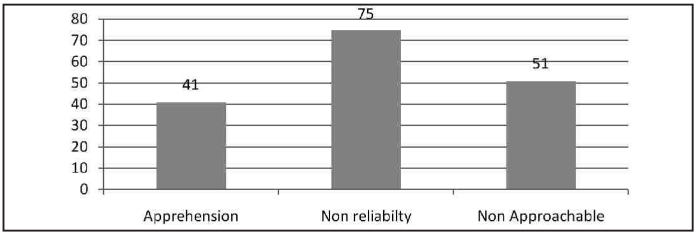
3.1 Positive Phases of Online Trading



Source : Primary Study

As shown in figure 3.1, the topmost positive aspect of online trading is that it is Convenient with 78% score. This was followed by the ability to present real time quotation with a score of 71% from the respondents. Time Saving and clearance of the online trading system have been rated third and fourth with score of 67% and 45% respectively. 41% is scored by the benefit offered by online trading that eliminates the interference of middleman.

3.2 Negative Phases of Online Trading



Source : Primary Study

Investors have rated three key negative aspects of online trading, as shown in above figure. Non reliability has been rated highest with a score of 75% from the respondents. Apprehensions due to online trading scored 41% to rank third. Apprehension was also a result of low awareness levels among the small investors and their inability to properly understand how the online trading system works. This too can be interpreted from non-approachable of the system which has been ranked second with score 51%.

4.0 Stockbrokers

Stock brokers play a very significant role in portfolio management. Friendliness attitude and good services provided by them increase the confidence level and boosts equity investment and capital formation process.

4.1 Investor Perception About Stock Brokers:

Factors	Frequency	Percentage
Highly Satisfied	83	69.2%
Satisfied	28	23.3%
Highly Dissatisfied	3	2.5%
Dissatisfied	6	5%

Source : Primary Study

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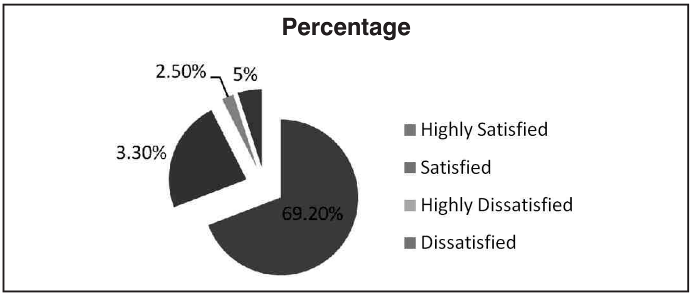
Out of 120 respondents 69.2% (83) are highly satisfied with the services of their stock brokers, 23.3% (28) respondents are satisfied. 2.5% and 5% are not satisfied with the stock brokers as same can be seen in the figure below.



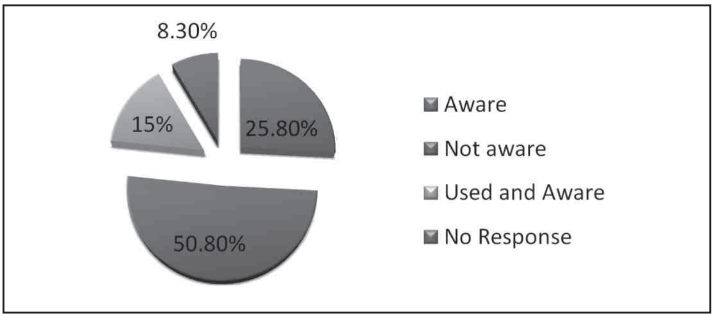
Source : Primary Study

5.0 EDIFAR

Electronic data information filling and Retrieval system is an automated system for filing, retrieval and dissemination of time sensitive corporate information which are used by the listed companies with the stock exchanges in India. The objective is to centralize the information and accelerate its dissemination and by doing so enhance the transparency and efficiency for the benefits of all the shareholders in the security market. The EDIFAR has been launched by SEBI in collaboration with National Informatics Centre.

5.1 Respondents Awareness About EDIFAR

As shown in figure below only 25.8% respondents are aware of the EDIFAR system launched by the SEBI. The rest are not aware about the system of EDIFAR. Out of 31 respondents who are aware about the system only 15% have actually used this system of EDIFAR. These statistics highlight the need for serious efforts by the regulator to conduct more awareness programmes to support practical knowledge.



Source : Primary Study

Conclusion & Suggestions for Further Research

From the investor protection viewpoint, we need to progress towards a more positive approach than mere crises prevention. The aim should be to ensure orderliness in the working of the stock market. Although the study attempted to examine comprehensively the perceptions of retail investors in the capital market, their grievances, it leaves behind many research avenues which may be explored for further research investment patterns.

1. Ceiling should be laid on DEMAT charges, to protect the interest of retail individual investors as the most important complaint about demat account system is that of high charges and variation between the charges levied by different DP's.
2. Depositories need to conduct investor awareness programmes more frequently and specifically relevant to demat facility and various issues related to same.
3. Emphasis should be laid on simplifying the procedure of dematerialization system as significant percentage of respondents stated that they are not able to understand the system.
4. Investors associations should organise specific programme to provide exposures to online trading for investors. This will enable the investors to become self- sufficient and can place their orders at the right opportunity.
5. EDIFAR needs to made more user friendly and efforts should be made to make more investors aware of this system.
6. Various issues related to stock brokers should be subject to the jurisdiction of a Capital Market Ombudsman.

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ENTREPRENEURS' MOTIVATIONAL FACTORS: EMPIRICAL EVIDENCE FROM MANIPUR

ABSTRACT

The role played by entrepreneurs in developing the economy of a country is tremendous. They contribute to the national development by starting up and running enterprises. They generate jobs, employment and bring changes in the structure of business and society. At the same time entrepreneurship provides numerous opportunities for self-expression and realization of one's passion for doing something new and different. Considering that entrepreneurs are very significant for the growth and development of economy in the country, the study undertakes to address the motivational factors that led them to take up the initiative for entrepreneurship. Taking sample from selected entrepreneurs from Mayang Imphal in Imphal West (Manipur), the paper examines the different motivating factors for male and female entrepreneurs.

Keywords : *Entrepreneur, Mayang Imphal, motivation, Manipur*

Introduction

Entrepreneurship is a set of activities performed by an entrepreneur. It is being practiced by both large and small enterprises. There are different views regarding the meaning of entrepreneurship. Among many one viewpoint is that entrepreneurship is the process which leads to the creation and running of any new business regardless of its size, product, service, potential or form of ownership. According to Schumpeter (1934), entrepreneurship is viewed as the formation of a new firm that uses innovation to enter existing markets or to create new ones and grow by making new demand, while taking market share away from existing suppliers. Drucker (1985) views entreprenerauship as neither a science nor an art but a practice. According to Pareek & Nadkarni (1978), an entrepreneur is one who initiates and establishes an economic activity or enterprise. The importance of entrepreneurship and entrepreneurial activities for a national growth is globally accepted. This is the reason the Government of India, since Independence has started establishing various institutions for promoting entrepreneurship at the length and breadth of the country. The major thrust of this initiative is to bring about and infuse the drive and motivational input in the young minds who are the prospective entrepreneurs. The necessity of entrepreneurship is even more felt today in a developing nation country like India. Entrepreneurship is a dynamic process which can transform an economy from a relatively backward to a more advanced state.

In India among the regions of the country, the North Eastern Region (NER) is not only geographically far from the mainland India, but also lagging far behind in economic development from the mainland India (Khanka, 2015). The backward economy of the NER poses a challenge, on the one side, and also provides an opportunity for entrepreneurship and economic development of the region, on the other (Khanka, 2015). Deb, Dey & Halder (2015) examined that NER of India as not been able to keep pace with economic and industrial development elsewhere in the country. One among the many reason for industrial backwardness of the region is a drastically poor state of entrepreneurship in the area (Mali and Bandhopadyay, 1993). Supply of entrepreneurial activities

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in the region is not encouraging. It is viewed that the emerging under development is not because of the lack of natural resources but because of the inadequate supply of entrepreneurs.

Manipur, one of the eight states of the NER of India is plagued with grim issues associated with crimes, corruption and non-compliance leading to a new burden of rising unjustified costs. Besides poor infrastructure including poor road connectivity, the state's trade and commerce is crippled by frequent disturbances such as bandhs, blockades, curfews, strikes, etc for different known and unknown reasons. According to 2011 census the total population of Manipur is 27,21,756, of which male and female are 13,69,764 and 13,51,992 respectively. It has a geographical area of 22, 327 sq.kms which constitutes 0.7 percent of the total land surface of India. Manipur offers very little scope for the establishment of large and medium scale enterprises. Consequently the main thrust of planning revolves around the development of small and tiny industries based mainly on local skills to provide employment to local population. The present study has undertaken with the primary data that were collected from entrepreneurs through a survey in Mayang Imphal of the Imphal West District of Manipur.

Review of Literature:

A research analysis conducted by Mazzarol, Doss and Thein (1999) on the sampling of 93 respondents among entrepreneurs in Western Australia, found out that environmental factors (such as social factor, economics, politics and infrastructure development) and personality factors (such as individual character and the background of the respondents) influenced the drive to establish self-owned businesses.

The decision to start a business is a complicated process that incorporates one's personality and interests, upbringing and role models, skills and opportunities (Winn, 2005). Bowen and Hisrich (1986) included education, work history and family history in their career development model. Hart, Stevenson and Dial (1995) found industry experience to be an important ingredient in an entrepreneur's ability to identify the full range of capabilities and potential contributions of partners and alliances. A study of entrepreneurs in Kenya and Ghana (Chu, Benzing & McGee 2007) found that the strongest two motivators were to increase income and to provide employment to them.

Kantikar, (1994) had conducted a study to understand the process of emergence of successful entrepreneurs and owners of micro-enterprises in rural areas. Based on case studies of 86 entrepreneurs belonging to 22 villages from seven states of India, Rajasthan in western India, Uttar Pradeslh and Bihar in north India, West Bengal in east India, Madhya Pradesh from the central India and Tamil Nadu and Kerala from the southern India, the study found that the profile of entrepreneurs and that of their businesses in rural India is fairly uniform in terms of the pattern of their emergence, and struggles of survival. The study concludes that entrepreneurs depended on their own resources or raised resources by pledging land and/or jewellery. The author observed that Entrepreneurs were aware of the different schemes of development agencies including the banks targeted at them but lacked confidence and correct information to approach these agencies. Lack of information and refusal of institutions to sanction credit were the constraints faced by almost every entrepreneur.

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Entrepreneurs in India were most strongly motivated by the desire for autonomy and then to increase their income (Benzing & Chu, 2005).

Sorokhaibam & Laishram (2011) found that the desire to be independent is the most important motivational factor behind the setting up of enterprises by the women entrepreneurs followed by the factors 'to earn more money so that they can afford a higher standard of living', 'Better status in the society', 'utilizing their own skill and help in imparting their knowledge to others', etc. They have also found that the 47.5 percent trained women entrepreneurs received guidance from training institutions, on the other hand majority 54.7 percent of untrained women entrepreneurs receive guidance from their parents for starting their enterprises. The study also found that 11.3 percent trained and 22.5 percent untrained women entrepreneurs had taken guidance from their husband to start their enterprises; 7.8 percent trained and 19.3 percent untrained women entrepreneurs received guidance from their friends and relatives; and 7.2 percent trained and 4 percent untrained women had received guidance from their friends and relatives to start their enterprises. Only 8.75 percent trained and 1.6 percent untrained women had received guidance from DIC and Banks to set up their units.

Sorokhaibam & Thaimei (2012) examined the positive relationship between the entrepreneurship development and generation of employment opportunities. Das and Dey (2010) studied the level of perceived awareness and uses of the owner/manager of the small business unit about the financial and management accounting tools and techniques and found that level of awareness and uses are low in NER of India.

Deb, Dey & Halder, 2015) opined that NER states have lot of scope to promote entrepreneurship utilsing its local resources, specially handloom and handicraft sectors and food technology and tourism sectors.

Singh, R.G. (2015) highlighted the importance of District Industries Corporation (DIC) in implementing & advocating the prospective entrepreneurs to set up their enterprise. Besides training, he emphasizes the role of Banks and financial institutions in promoting and developing entrepreneurship.

There has been agreement among scholars about the demographic variables as important contributors in explaining success among entrepreneurs. Demographic descriptors include age, level of education, work and business experience, relevant family history, marital status, rank amongst siblings, and gender. Authors including Davidsonn (1995) stressed the need for disaggregate level understanding of the processes leading to new firm formation.

Objectives:

The present study has investigated the reasons for the creation of new enterprises and the entrepreneurial characteristics of those individuals responsible for the emergence of new firms.

The paper also aims to achieve the following objectives:

- To identify various lines of trade taken up by the entrepreneurs
- To explore what motivates the entrepreneurs to start their own business.
- To examine difficulties faced by men and women entrepreneurs
- To compare the scores of motivational variables as perceived by female entrepreneurs with their male counterpart.

Methodology:

The entrepreneurs were drawn using non-probability sampling design based on convenience sampling method. The data were collected from a survey which was realised in Mayang Imphal of the Imphal West District of Manipur during the month of January, 2015. From a sample of 49 respondents using the questionnaire originally developed by Hung M. Chu (Chu & Katsioloudes 2001). The questionnaire has been used in the studies of entrepreneurs across numerous countries. Five-point Likert scale was used to measure perceived motivation variables: 5 for "extremely important", 4 for "important", 3 for "moderately important", 2 for "somewhat important" and 1 for "unimportant". A higher mean score on a variable indicates greater importance. The collected data has been tabulated and analysed using simple percentage test.

Sample Characteristics:

Table 1:Sample Characteristics of the Entrepreneurs (N=49)

Basis	Category	Frequency	Percent
Gender	Male	31	63.3
	Female	18	36.7
Forms of Organisation	Sole Proprietorship	29	59.2
	Partnership	17	34.7
	Others	3	6.1
Educational Qualification	Below High School	4	8.16
	Matriculate	18	36.73
	Higher Secondary School	9	18.37
	Graduate	14	28.57
	Post Graduate & Above	4	8.16
Business Creation	Self-started	37	75.51
	Inherited	12	24.49

Source: Filed survey

As can be seen from the Table 1, the sample consisted of 49 respondents which include 31 males and 18 females. The profiles of the entrepreneurs were taken on characteristics like age, gender, educational qualifications, the forms of organizations, etc. Out of the total 49 respondents, 29 were sole proprietors constituting 59 percent of the sample while 17 were running their enterprise in the form of partnership while the rest 3 numbers belongs to other forms of organizations. In terms of educational qualifications, maximum were matriculates numbering 18 constituting 37 percent of the sample followed by Graduate numbering 14 constituting 29 percents; 9 of them were intermediate and 4 each were under matric, and post graduate and above. Table 1 also reveals that the 37 of the entrepreneurs constituting 76 percent of the sample have themselves started the business while the remaining 12 entrepreneurs constituting 24 percent of the total sample have inherited business from their parents.

Table2: Descriptive Statistics of Age & Nos. of Employees

Description	Mean	Median	Minimum	Maximum
Age	42	40	24	65
Employees	2.47	2	0	10

Source: Primary data

The average age of the entrepreneurs were 42 while the median, minimum and maximum age of the entrepreneurs in the sample was 40, 24 and 65 respectively (Table 2). In terms of number of employees, the maximum number of employees employed was 10 while minimum was nil. The average numbers of employees of the sample entrepreneurs were 2 (Table 2).

Table 3: Maintenance of Accounting Record by entrepreneurs

Category	Frequency	Percentage
Maintain Record	32	65.3
Do not maintain record	17	34.7

Source: Primary data

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As regards the maintenance of the accounting record, the study found that 65 percent have maintained their accounting records while the other 35 percent of the sample do not maintain any accounting records.

Table 5: Descriptive Statistics of Investment, Income & Saving of the Entrepreneurs

Description	Mean	Median	Minimum	Maximum
Investment	621,224	300,000	40,000	3,000,000
Avg. Monthly Income	62,489	50,000	6,000	600,000
Avg. Monthly Saving	22,500	20,000	1,000	200,000

Source: Primary data

In the Table 5, we can find the descriptive statistics of the Investments, Income & Savings of the Entrepreneurs. The average investment of the entrepreneurs was Rs. 6, 21,224 while the median investment was Rs. 3,00,000. The minimum and maximum investments were Rs.40, 000 and Rs. 30, 00,000 respectively. The average monthly incomes of the entrepreneurs were Rs. 62,489 while the median monthly incomes were Rs. 50, 000. The minimum and maximum monthly incomes were Rs. 6,000 and 6,00,000 respectively. As revealed by the study the monthly saving of the entrepreneurs ranges as low as Rs. 1000 to as high as Rs. 2,00,000. The average monthly savings were Rs. 22, 500 and the median monthly saving was Rs. 20,000.

Table 6: Types of Business

Level of Rating	No. of Respondent	% of Respondent
Handloom	7	14.29
Handicraft	2	4.08
Trading	8	16.33
Embroidery	4	8.16
Weaving	4	8.16
Poultry	3	6.12
Rice Mill	2	4.08
Fishery	4	8.16
Knitting	4	8.16
Tailoring	4	8.16
Saw Mill	1	2.04
Iron & steel	2	4.08
Others	4	8.16
Total	**49**	**100.00**

Source: Filed survey

From the Table 6, it can be found that the respondents are engaged in different types of business. Activities include Handloom, Handicraft, Trading, Embroidery, Weaving, Poultry, Fishery farming, Tailoring, Saw Mill, Rice Mill, etc. Maximum of the entrepreneurs in the sample are traders with 16.33 percent followed by Handloom with 14.29 percent.

Table 6: Source of Guide received in setting up the Enterprise

Source of Guide	Frequency	Percentage
Parents	29	59.18
Spouse	26	53.06
Friends	14	28.57
Relatives	6	12.24
Other Entrepreneurs	3	6.12
Banks/Financial Institutions	1	2.04
Others	1	2.04
DIC	0	0
Training Institutes	0	0

Source: Primary data

In terms of the source of guidance received by the entrepreneurs, maximum numbers of the entrepreneurs constituting 59 percents of the total respondents have received guidance from their parents followed by guidance received from spouse constituting 53 percent. Twenty-nine percents have received guidance from their friends; 12 percents have received guidance from relatives, 6 percent have received from other entrepreneurs. Only one entrepreneur has received guidance from financial institution in setting up his enterprise. Surprisingly no entrepreneurs have received any guidance from District Industries Corporation (DIC) in setting up their enterprises.

Table 7: Source of Finance received

Source	Frequency	Percentage
Family	37	75.51
Personal Savings	33	67.35
Private Borrowings	11	22.45
Friends	6	12.24
Financial Institutions/Banks	2	4.08
Government Grants	1	2.04

Source: Primary data

Finance is a very important element in setting up and running enterprises. As can be seen from the Table 7, seventy six percent of the entrepreneurs have received the finance from their family sources followed by 67 percent from their personal savings. Private borrowings were a source of finance for 22 percent of the entrepreneurs, 12 percent had financed from their friends. A mere 4 percent have financed its capital from Banks and only one entrepreneur has received Government grants.

Table 8: Mean score and standard deviation for motivation of entrepreneurs

S.No.	Motivation	Mean	Std. Dev.
1	For own satisfaction & growth	3.45	1.001
2	To have fun	2.84	1.087
3	To prove what I can do	3.22	0.896
4	To be my own boss	3.47	1.324
5	To maintain my personal freedom	4	0.913
6	To be able to use my past experience and training	2.78	1.177
7	To be closer to my family	3.35	1.011
8	To increase my income	3.78	1.066
9	To have always job security	3	1.242
10	To gain public recognition	3.2	1.207
11	To provide job for family members	2.98	1.127
12	To build a business to pass on	3	1.137

Source: Primary data

Motivation which remains always a very significant role for individuals to become entrepreneurs have been examined by putting the twelve different statements to the sampled entrepreneurs. The mean scores and the standard deviations of the scores of the total entrepreneurs (both male and female) are given in the Table 8. The individual item score is measured ranging from 1 to 5. "To maintain the personal freedom of the entrepreneurs" is the most important reason in starting the enterprise by the entrepreneurs with a score of 4 and standard deviation of 0.913. "To increase the income of the individuals" with a score of 3.78 and a standard deviation of 1.066 comes next. To further understand whether there are any differences between the male and female entrepreneurs regarding their reasons for starting the enterprises, separate scores for both male and female entrepreneurs are presented in the Table 9 and 10 respectively. The scores are also presented in the Chart 1.

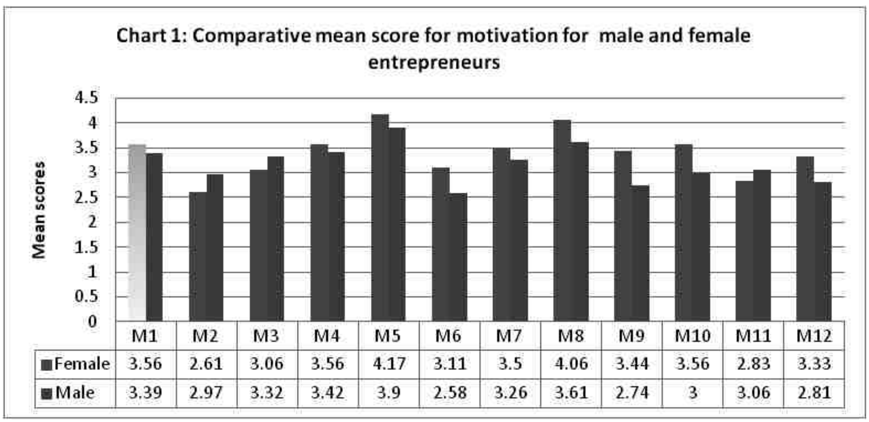

Table 9: Mean score and standard deviation for motivation of male entrepreneurs (N=31)

S.No.	Variables	Mean	Std. Dev.
1	Started for own satisfaction & growth	3.39	0.882
2	To have fun	2.97	1.14
3	To prove what I can do	3.32	0.979
4	To be my own boss	3.42	1.385
5	To maintain my personal freedom	3.9	0.908
6	To be able to use my past experience and training	2.58	1.025
7	To be closer to my family	3.26	0.965
8	To increase my income	3.61	1.054
9	To have always job security	2.74	1.237
10	To gain public recognition	3	1.033
11	To provide job for family members	3.06	1.153
12	To build a business to pass on	2.81	1.195

Source: Primary data

As can be seen from the Chart 1 and Table 9 and 10, the main motivation for both the male and female entrepreneurs was 'to maintain personal freedom' with a mean score of 3.9 and 4.17 for male and female respectively followed by 'to increase the income' with a mean score of 3.61 and 4.07 for male and female respectively.

Conclusions:

Based on the obtained results and their comparison with empirical findings in other studies, it may be concluded that motivational factors of entrepreneurs are generic worldwide in terms of income factor, family security factor, independence factor, etc. Financing is one of the important factors of an entrepreneur. It a matter of concern that most of the entrepreneurs in the region are run by self-financing sources such as family savings and friends etc. the study has found that to maintain personal freedom is the most important motivating factor for entrepreneurs to start their enterprises. Next in the importance is to increase income for them. Out of the twelve reasons given, only three statements have scores less than 3 while all the other nine statements have scored 3 or more. The three most important factors for male entrepreneurs were "to maintain my personal freedom" followed by "to increase my income" and "to be my own boss" while the three least scoring factors for male entrepreneurs were "To be able to use my past experience and training", to always have job security" and "to build a business to pass on". The three most important factors for female entrepreneurs were "to maintain my personal freedom" followed by "to increase my income" and "started for my own satisfaction and growth" while the three least scoring factors for female entrepreneurs were "to have fun", to provide job for family members and "to prove what I can do".

The present study certainly represents contribution to a small amount of empirical research on this topic in Manipur. Empirical researches, such as this one, are crucial to bridge the gap that exists between contemporary theory on entrepreneurship and small enterprises on one side and poor entrepreneurship practice in smaller states like Manipur on another side. In order to facilitate economic development, it is necessary to make

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significant improvements in the process of institutionalization of supporting existing and potential entrepreneurs This can be achieved by creating environment that will facilitate development of entrepreneurship through numerous stimulating activities, such as: incentives that would facilitate cooperation of SMEs and large enterprises and creation of clusters, establishing organizations for providing assistance to entrepreneurs (e.g. associations of entrepreneurs, government agencies for SMEs development, business incubators, industrial parks, etc.) and providing easy accessible capital. It appears that the motivation of entrepreneurship is found for self sustenance not for generating employment. It is necessary to foster entrepreneurship through education, training, financial support and creating awareness perceived business opportunities.

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ADVERTISING APPEAL' S IMPACT ON BUYING BEHAVIOUR OF HATCH BACK CARS IN INDIA

ABSTRACT

The present research is an extrovert enquiry based descriptive study designed to specify and identify the particular forms of advertisement appeals used by major Indian hatchback car brands. Appeals were categorized as emotional, rational and presentational appealing strategies. In this research we had adopted time sampling method and it leads to systematic content analysis on selected magazine, newspaper, website and television advertisements by using Standard Delphi technique. Detailed list of product features and presentation styles were identified and a theoretical classification model was developed on both product features and presentation styles. On analysis of emotional strategies the present study it was found that Indian hatchback advertisements significantly differ across media in the usage of various emotions.

Key Words : *Customer Attention, Buying behaviour, Television Advertising Strategies, Advertising appeals, Emotional Appeals, Consumer Decision making process.*

Introduction

The basic concept which lies in original marketing is that of human needs and wants. Consumers usually face a broad array of brands that may satisfy their needs. The task of the customer is normally to choose a product from this wide range of market offerings. This process is highly influenced by consumers' cultural, social, personal and psychological characteristics and the marketers need to have a deep understanding on these influences in order to sell their brands at its best. In a high involvement purchase, the buying behaviour will be complex and the buyer will pass through an extremely involved learning process.

Hence the marketers of this product range need to educate their buyers on the class attributes of their products and need to differentiate their brands features in contrast with other brands in the same product cluster. Role of advertisements are crucial here. It is a strong medium for both communicating vital product information to the customers and persuading them to purchase. Detailed observation of advertisements is like reading an open textbook of marketing. It provides us deep insights on current market trends.

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In hatch back segment India is the fastest growing auto market after China. With a major share in hatch back sales the car market in the year 2013 grew around 42 percent (Bureau Report, Hindu Business line, 12th January, 2014). Maruthi Suzuki, Hyundai, Tata Motors, Fiat, Ford, Volkswagen, Chevrolet, Nissan, etc are the key competitors in Indian hatchback car market.

The Indian hatchback car market is so competitive and almost all the companies are adopting aggressive marketing strategies to sell their models. These companies are spending multimillion rupees for mass promotional campaigns. Effectiveness of these promotional campaigns may be regularly audited by individual companies themselves but the results rarely become public for an academic discussion. Consumers' buy a product based on their priorities and preferences. These preferences are derivatives of their psycho-social make up. The core assumption of consumer behaviour is individual differences. Individuals are different based on various psycho social factors like personality, perception, motivation, attitude etc. A marketing strategy normally creates differential response. A particular product feature may be highly attractive to a particular group of customers and not to another group of customers. Ideally every product features has to be matched with the respective customer preferences as it is done in market research by marketers, but in an academic discussion since there exist numerous product features and market offerings across competitive brands it is not practical to discuss each product features and its related consumer preferences. Moreover it is also not theoretically useful because it creates no general trends (science is more interested in general trends). Systematic inquiry requires general classificatory system.

Classificatory systems help a researcher with better light and direction and it makes their work easier and meaningful. In the present context if a future researcher is interested to study personality differences of customers in processing hatchback car advertisements it would be very helpful if already a classificatory model of specific advertisement strategies by Indian hatch back car brands exists. Present research is an attempt to identify various appealing strategies adopted by Indian car advertisements and classify them in a meaningful order by using the methodology of content analysis.

Literature Review

An individual must have a reason for buying a product; that reason is either emotional or rational (Stafford and Day Ellen, 1995). An appeal, according to Manrai *et al*. (1992), is the basic idea behind an advertisement or the basic reason why an audience should act. As a rule of thumb, the appeal is categorized as rational or emotional. According to Kotler and Armstrong (1991), rational appeals "relate to the audience's self-interest. They show that the product will produce the desired benefits. Examples are messages showing a product's quality, economy, value, or performance. Kotler and Armstrong (1991) define emotional appeal as an "attempt to stir up either negative or positive emotions that can motivate purchase.

Emotional appeals are often strategically employed to influence consumers indirectly and make the consumer feel good about the product (Calder and Gruder, 1989) and make a brand liked or friendly (Batra and Ray 1985), relying on feelings for effectiveness (Aaker *et al* 1986). When it comes to changing the message receiver's

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beliefs about the advertised brand (Stafford, 1993), rational appeals are favoured by advertising practitioners. The present analysis is based on the advertisement appeal concept in which a detailed analysis is done on selected Indian hatchback entry level car advertisements with the objective of analyzing, identifying and classifying specific advertisement appeals adopted by major market players.

Research Objectives

Advertisement appeal is differentiated into rational appeal and emotional appeal. In the present study rational appeal is conceptualized as those advertisement messages offering different product benefits and emotional appeal as the attempt in advertisements to stir up either negative or positive emotions in customers to motivate purchase. The way message is communicated in the advertisement was also conceptualized as an appealing strategy. Based on this dimension the purpose of the research is specified with the following objectives:

1. To identify various product benefits offered by Indian hatchback entry level car advertisements as a rational appealing strategy.
2. To classify product as desired by the customers of Halch back cars.
3. To analyze major emotional strategies used by Indian hatchback entry level car advertisements to sell their products.
4. To identify & classifying different presentation styles adopted by various Indian hatchback entry level car advertisements to attract their customers.

Research Methodology

The present research adopts the methodology of content analysis. Content analysis is the study of recorded human communications for making inferences by objectively and systematically identifying specified characteristics of the messages. Detailed descriptions of the current analysis of Indian hatchback car advertisements are as follows.

Description of Sample Data

The objective of present study is to identify and classify specific advertisement appeals used by major Indian hatchback entry level car companies. In the process of selling highly standardized products to masses of customers, large companies carefully integrate their many communication channels to deliver a clear, consistent, and compelling message about their brand. At times they follow a gestalt approach also of communicating marginal information through one medium (television for example) and providing crucial information through another medium (news paper ads for example).

They routinely advertise in television channels, news papers, magazines or other mass media in same time duration to educate and persuade billions of customers with a same or similar message. In order to get a complete picture of appealing strategies espoused by the companies we need to do a detailed analysis of sample advertisements across various mass media over a period of time. Based on this orientation, sample advertisements in present study were drawn from four different mass media channels i.e. television, website, newspaper and magazines.

Present study adopted time sampling method for selecting sample advertisements. The sample time was September 2014 to December 2014. Television commercials telecasted in major national channels in the sample time period was observed by the researchers and the most telecasted ones were noted down and the same video was later downloaded from http://www.youtube.com.The e-brochure attached in the home page of all sample brands were identified and downloaded for the analysis of web advertisements. Details of the sample advertisements are provided in table-1.

Table 1 : Details of Sample Advertisements

Details of The Brand	Types of Advertisement				Total Sample Advertisement
	Newspaper	Magazine	Web	Television	
Chevrolet Spark	8	5	1	2	16
Chevrolet Beat	4	4	1	1	10
Ford Figo	6	6	1	2	15
Fiat Punto	3	3	1	1	08
Hyundai i10	4	3	1	2	10
Hyundai i20	8	3	1	2	14
Maruti Alto	10	0	1	2	13
Maruti Ritz	8	3	1	1	13
Maruti Swift	2	3	1	1	7
Datsun GO	3	2	1	1	7
Nissan Micra	3	2	1	1	7
Tata Indica Vista	10	2	1	1	14
Toyota Liva	9	4	1	1	15
Volkswagen Polo	4	2	1	2	9

*** Source Primary Data.*

Procedure Adopted for data analysis

The process of data analysis involved data examination and coding and in order to establish impartiality in the process, it was done by a panel of experts using standard version of Delphi method. In the standard Delphi version, the experts answer questionnaires in two or more rounds. After each round, a facilitator(s) provides an anonymous summary of the experts' forecasts from the previous round as well as the reasons they provided for their judgments. Thus, experts are encouraged to revise their earlier answers in light of the replies of other members of their panel.

In the initial iteration, identification of product benefits, different presentation styles and the major emotional strategies used by Indian hatchback entry level car advertisements were carried out and in the second and third iteration a classificatory model of this identified product features and presentation styles were developed and in the fourth and fifth iteration incorporation of the identified product features and presentation styles into different groups were done. Identification of emotional strategies was done based on Parrot's (2001) classification of primary emotions. Detailed list of Parrot's primary emotions are given in table-2.

TABLE- 2 : List of Parrots (2001) Primary Emotion.

PRIMARY EMOTIONS
Love
Joy
Surprise
Sadness
Fear

Source : Parrott, W. (2001), Emotions in Social Psychology, Psychology Press.

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In the first iteration sample advertisements were assigned numbers and an analysis form was developed with separate space for providing estimation on each advertisement by the Delphi experts. The analysis forms along with the advertisements and a general feedback form to express critical observations were distributed to the experts with proper instructions and guidelines to scrutinize the advertisements analytically and identify various product benefits and different presentation styles adopted in it. For identification of emotional strategies, Parrot's classification of primary emotions along with five level Likert rating scales were distributed and experts were asked to rate the presence of these emotions. Analysis forms were collected back from the experts, after assuring that all advertisements are well scrutinized and a detailed list of identified product benefits and presentation styles was prepared based on it. Another list of rated emotions was also made by tabulating the ratings provided by the experts.

In the second iteration the list of identified product benefits and presentation styles were distributed to the Delphi experts with instructions to code the data in a meaningful order. The opinions of experts were collected back and scrutinized. The scrutinized data was once more sent to the experts in the third iteration to sort out the differences and come to a common consensus. Based on this feedback classification of rational and presentation strategies adopted by Indian hatchback advertisements were developed. In the fourth iteration each Delphi experts grouped each product features and presentations strategies identified in the first iteration into different classificatory groups of the model. The data of this iteration was collected back and scrutinized and finally sent back to the experts in the last iteration to develop a common consensus in grouping. Details of the whole analysis are presented in the results and discussion part.

Results and Discussion

The study was carried out with the purpose of identifying and classifying specific advertisement appeals differentiated into rational appeal and emotional appeal used by major Indian hatchback entry level car companies. Rational appeal in the study means those advertisement messages offering different product benefits and emotional appeal means the attempt in advertisements to stir up either negative or positive emotions (love, joy, surprise, sadness and fear) in customers to motivate purchase. In order to achieve the objectives of the study, content analysis of selected advertisements across various media was carried out. In this process; to gather and analyze data in a systematic way, standard version of Delphi method which employs the methodology of multiple iterations designed to develop a consensus of opinion concerning a specific topic was adopted.

The first purpose of the study was to identify various product benefits offered by Indian hatchback entry level car advertisements. The panel of Delphi experts worked out this issue independently in the first iteration. The group in general observed a significant difference in product benefits promotion through advertisements across media. Exhaustive promotion of product features was found more in web advertisements followed by news paper and magazine advertisements. Television advertisements are found to have using promotion of the most unique and high end features of the product in a tangential way compared to other media. This trend can be attributed to the targeted marketing strategy adopted by the companies where television is a mass media useful for creating brand awareness while web is more specific with limited niche audience searching for comprehensive information. But in contrary in the case of news paper and magazine car advertisements interestingly it was observed that, newspaper advertisements were more promoting product features than magazine advertisements. In the initial iterations Delphi experts identified a wide range of product features. Few experts expressed their view that features like antilock braking system, electronic brake, pre crash system, reverse backup sensors etc need not be listed as separate features but can be listed under one umbrella feature called as driver assistance systems. Incorporating this suggestion based on first iteration data researchers made a detail list of product features and a separate additional list of sub product features. Detail summary of this list is given in table-3 and 3a.

Table 3 : Product benefits offered in advertisements

PRODUCT FEATURES	
Advance control	High class upholsteries
Advanced brakes	High mileage
Advanced interior lamps*	In car entertainment features*
Advanced transmission	Insurance
Aerodynamic efficiency	Interior design
Alloy wheels	Key and lock features*
Battery and other power savers	Lighting system*
Better functioning wheels	Low operation and maintenance cost
Better interior space*	Maintaining engineering standards
Better power	Maintaining pollution control standard
Better road handling	Mirror features*
Better road side assistance	Parking comfort
Burglar alarm	Pillar styling stripes
Child lock system	Pockets, bags, and storage facilities*
Chrome radiator grille	Price details
Colour design*	Quality of interior parts
Colour quality	Quality of spare parts
Crashworthy systems*	Quality of tyres
Customized accessories	Resale value
Deluxe floor and carpet	Roof rails
Discount benefits and additional offers	Sculpted side panels
Display and control features*	Seating capacity
Door and window features*	Sitting comfort*
Driver assistance systems*	Sloping roofline
Driver warning system*	Special edition offers
Driving comfort*	Steel quality
Engine quality	Technological advantages
Exterior design	Traveling comfort
Finance and loan benefits	Tubeless radial tyres
Fuel tank features	Warranty
Full wheel covers	Wind screen and shield *
Graphic design	Wiper and defogger features*
Heating, ventilation, and air conditioning systems	

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Table 3a : Additional List of product benefits under star (*) marked benefits given in Table 3

PRODUCT FEATURES		
Advanced interior lamps	Service scheduler reminder	Remote key less entry
Luggage lamps	Tilt steering	**Lighting system**
Reading lamps Fog	Trip meter	Fog lamps
Room lamps (boot and central)	**Door and window features**	Headlamps
Better interior space	Auto locking of doors	Signal indicators
Boot Space	Central locking of doors	Warning indicators
Leg Space	Power windows	**Mirror features**
Sitting space	Sun roofs Internally adjustable	OSRVMs
Colour design	Wide opening doors	Day and night rear view mirror
Attractive body colours	**Driver assistance systems**	**Pockets, bags, and storage features**
Attractive bumper colour	Antilock Braking System	Bottle holders
Body colour side door handles	Cornering Brake Control systems	Cup holders
Body colure tailgate handle	Electronic Brake	Front passenger under sit tray
Body colour waistline moulding	Electronic Stability Controller	Glove box
Dual tone dash board	Emergency brake assist systems	Map pockets
Crashworthy systems	Lane departure warning systems	Parcel trays
Seatbelts	Pre crash system	Pen, card and coin holder
Airbags	Reverse backup sensors,	Seat back and seat side pockets
Energy absorbing body structures	Tire pressure monitoring	Seat split and folding
Fire prevention system	**Driver warning system**	Sun glass holders
Side beam, intrusion beams	Warning for driver door open	**Sitting comfort**
Display and control features	Warning for seat belt not fastened	Ergonomically designed seats
Odometer	**Driving comfort**	Comfortable arm rests
Advanced clutch system	Ground clearance	Comfortable foot rests
Advanced gear shift mechanisms	Low turning radius	Comfortable head rests
Advanced horn system	Spoilers and air dams	Driver seat adjust
Digital tachometer	Wheel base	Tallest cabin height
Digital temperature bar graph	Wider viewing area	**Wind screen and shield features**
Distance to empty indicator	**In car entertainment features**	Laminated glazed windscreen
Door open indicator	Audio system	Laminated windshields
Low fuel warning lamp	Bluetooth connectivity	Large day-light opening
Manual transmission shift indicator	Mp3 & FM player	**Wiper and defogger features**
Mileage indicator	Steering mount audio	Anti drip wiping
Power steering	USB port	Front and rear defogger
Programmable speed limit	**Key and lock Features**	Intermittent wiper
Remote tailgate release	Desmodronic foldable key	Rear wash / wipe
Reverse parking sensor	Immobilizer with rolling codes	
Seat belt warning light	Remote embedded key	

Source : Primary data

Experts in general observed that there exists only marginal difference between the sample brands in their product offerings. Among the product benefits, high mileage, better power, low price, stylish interior, exterior and colour design, better interior space, sitting, travelling, and driving comfort, safety features, low emission and claim of maintaining pollution control standards were the most common focal benefits offered by most of the brands.

Better mileage was an omnipresent feature in most of the advertisements across media (except Fiat and few Hyundai car advertisements). Stylish exterior and colour design was another most popular promotion across advertisements in all media. Economy features like discount benefits and additional offers etc were mostly found promoted through news paper advertisements where it is possible to communicate customers regionally. Better power is an important feature promoted comparatively more in magazine and television advertisements.

Claims of low emission and maintaining pollution control standards like green oil filter, better fuel combustion, raw material recycling, etc were found mostly in news paper, web and magazine advertisements. According to the observation of experts low emission eco friendliness was not promoted in any of the sample advertisements as their core feature but as features to increase attractiveness of the brands. Advertising is a form of communication. In a sense, it is a message to a consumer about a product. It provides information and sometimes a bit of entertainment and tries to create a response called as sale.

According to Wells *et al*. (2007) effective advertisement creates six types of consumer responses i.e. perceive, understand, feel connect, believe and act. The ability to draw attention and create a response is a tough task in which most of the advertisers work hard. The way message is presented is crucial in this process; hence present study examined this issue in detail. The details of the analysis are presented in table- 4.

Table 4 : Various Presentation Styles used by Car Advertisements

PRESENTATION STYLES
Direct presentation depicting various product features
Emotional presentations using humour.
Emotional presentations using love and related emotions
Emotional presentations creating surprise
Presentation claiming research evidence.
Presentation showing best selling awards and quality certificates.
Presentation using comparison with competitive brands.
Presentation through celebrity endorsement.
Presentation using demonstration.
Presentation using testimonials.
Symbolic presentation using dramatized problem and solution method.
Symbolic presentation using imaginary and fantasy oriented stories.

Source : Primary data

Delphi experts observed a difference in the way of presentation across various mass media. Among different media news paper advertisement was found to be more direct, trying to persuade customers by showing those core features that can be classified as unique selling point. Presentations using celebrities, testimonials, comparison of the brand features with other brands, presentations using demonstration i.e. inviting the

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customers for a test drive, persuading the customers to buy the product before the price hike etc were some of the common strategies used by most of the advertisements.

Advertisements in magazines were more catchy and attractive. According to the Delphi experts the way magazines are read is comparatively different from newspapers. Other than few serious readers most of the times magazines are read as a time pass in their break hours, free times or in most cases at a waiting lounge, hence most of the magazine advertisements were stylish and intended to develop a brand image.

Presentation through celebrity endorsement, presentations using emotional and interpersonal relationships aspects, presentation using testimonials and awards etc were the most common presentation styles among brands. Presentation styles in web advertisements were more direct and logical in nature, where the orientation is to present the finest details along with promoting their unique features. Few Delphi experts opined that customers normally refer the website and e brochures only after they have taken the decision to buy a car, but confused a bit on which brand to buy. The objective here is to hold the attraction of the customer to their brands more than the competitor brand. To accomplish this most of the advertisements were direct in presentation. Almost all brochures contain list of specific product features.

Effectiveness of an advertisement is counted in terms of the sales volume it creates and it is highly linked with skilled usage of proper emotions in proper intensity. Keeping this in mind the first Delphi iteration of present study also involved analyzing emotional strategies of Indian hatchback car advertisements. The process of analysis involved rating of emotions (based on Parrot's classification of emotions) present in sample advertisements by Delphi experts in a five point scale. The ratings of each advertisement under each media category by all the raters were tabulated and in order to know the difference in distribution of different emotions across various media the ratings were subjected to non parametric statistical analysis using Friedman Test. Details of this analysis are given in tables - 5 to 13.

Table-5 presents the results of Friedman test done on rating of presence of love related emotions in selected advertisements across different types of media by Delphi experts. According to the results there exists a high level of difference (Chi Square value of 25.07 significant at 0.01 level) in usage of love related emotions in advertisements across different media. The results indicate that television advertisements (Mean=3.66 with an SD of 0.89) and magazine advertisements (Mean=3.20 with an SD of 1.32) contains more love emotions compared to newspaper (Mean=1.60 with an SD of 0.73) and web advertisements (Mean=1.80 with an SD of 1.01).

Table 5 : Results of Friedman Test Done on Rating of Presence of Love Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=3)

Types of Media	Mean	SD	Mean Rank	Chi-Square
Newspaper	1.60	0.73	1.57	25.07**
Web	3.20	1.32	3.13	
Magazine	1.80	1.01	1.87	
Television	3.66	0.89	3.83	

**** * Significant at 0. 0 1 level, Source: Primary data***

Table - 6 reveals the results of Friedman test done on rating of presence of joy related emotions in selected advertisements across different types of media by Delphi experts. From the results it is clear that even though joy emotion is highly present in all types of advertisement a significant difference (Chi Square value of 11.20

significant at 0.01 levels) is prevalent in the usage of joy related emotions across media. Web advertisements were rated to have more using joy related emotions (Mean= 4.00 with an SD of 1.69) followed by magazine (Mean= 3.80 with an SD of 1.20), television (Mean= 3.53 with an SD of 1.06) and newspaper advertisements (Mean= 2.80 with an SD of 1.14).

Table 6: Results of Friedman Test Done on Rating of Presence of Joy Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=3)

Types of Media	Mean	SD	Mean Rank	Chi-Square
Newspaper	2.80	1.14	1.63	11.20**
Web	3.80	1.20	2.77	
Magazine	4.0	1.69	2.93	
Television	3.53	1.06	2.67	

**** * Significant at 0. 0 1 level, Source: Primary data***

Table - 7 reveals the results of Friedman test done on rating of presence of surprise related emotions in selected advertisements across different types of media by Delphi experts. The results reveal that surprise is the lesser used emotion in advertisements when compared to other two positive emotions but like the other two positive emotions the usage of surprise as an emotional strategy differs significantly across media (Chi Square value of 26.51significant at 0.01 level). Magazine advertisements were found to have more using surprise emotion (Mean= 3.00 with an SD of 1.06) followed by television (Mean= 2.73 with an SD of 1.09), web (Mean=1.53 with an SD of 0.74) and newspaper advertisements ((Mean= 1.13 with an SD of 0.35).

Table 7: Results of Friedman Test Done on Rating of Presence of Surprise Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=3)

Types of Media	Mean	SD	Mean Rank	Chi-Square
Newspaper	1.13	0.35	1.50	26.51**
Web	3.00	1.06	3.33	
Magazine	1.53	0.74	1.93	
Television	2.73	1.09	3.23	

**** * Significant at 0. 0 1 level, Source: Primary data***

Table - 8 reveals the results of Friedman test done on rating of presence of sadness related emotions in selected advertisements across different types of media by Delphi experts. According to the analysis usage of sadness related emotion is very less present in all the types of advertisements, but the results also revealed that there exists a significant difference between different media in the usage of sadness as an emotional strategy (Chi Square value of 12.80 significant at 0.01 level). News Paper advertisements are found to be using more sadness related emotions (Mean = 1.86 with an SD of 0.91) followed by television (Mean = 1.20 with an SD of 0.41), and magazine (Mean= 1.13 with an SD of 0.35). Web advertisement was found to have using almost no sadness related emotion (Mean =1.00 with an SD of 0).

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Table 8: Results of Friedman Test Done on Rating of Presence of Sadness Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=3)

Types of Media	Mean	SD	Mean Rank	Chi-Square
Newspaper	1.26	0.45	2.40	12.80**
Web	1.33	0.48	2.53	
Magazine	1.00	0.00	1.90	
Television	1.73	0.70	3.17	

** * Significant at 0. 0 1 level, Source : Primary data*

Table - 9 reveals the results of Friedman test done on rating of presence of fear related emotions in selected advertisements across different types of media by Delphi experts.

Fear as an emotional strategy in the present context according to the observation of Delphi experts, is present in the form making the customer afraid of possible price hike and persuading them to make an early purchase. The results reveal that fear is a less used appealing strategy and is used differently (Chi Square value of 15.00 significant at 0.01 level) across different media. News paper advertisements are found to have using more fear strategy (Mean=1.86 with an SD of 0.91) when compared to television (Mean= 1.20 with an SD of 0.41), magazine (Mean=1.13 with an SD of 0.35) and web (Mean=1 with an SD of 0).

Detail analysis of the Delphi experts rating also revealed the extent of emotions present in different types of media advertisements. Analysis of the Friedman test results exhibited in table-10, evidently pointed out a significant difference in the usage of different emotions in news paper advertisements (Chi Square value of 23.98 significant at 0.01 level). According to the results joy was found the foremost emotion present in newspaper advertisements (Mean=2.80 with an SD of 1.14), followed by fear (Mean=1.86 with an SD of 0.91), love (Mean= 1.60 with an SD of 0.73), sadness (Mean=1.26 with an SD of 0.45) and surprise (Mean=1.13 with an SD of 0.35).

Table 9 : Results of Friedman Test Done on Rating of Presence of Fear Related Emotions in Selected Advertisements across Different Types of Media by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=3)

Types of Media	Mean	SD	Mean Rank	Chi-Square
Newspaper	1.86	0.91	3.27	15.00**
Web	1.13	0.35	2.30	
Magazine	1.00	0.00	2.03	
Television	1.20	0.41	2.40	

** * Significant at 0. 0 1 level, Source : Primary data*

Table 10: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Newspaper Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Types of Emotions	Mean	SD	Mean Rank	Chi-Square
Love	1.60	0.73	2.93	23.98**
Joy	2.80	1.14	4.27	

Surprise	1.13	0.35	2.03	
Sadness	2.26	0.45	2.47	
Fear	1.86	0.91	3.30	

**** * Significant at 0. 0 1 level, Source : Primary data***

Table-11 reveals the results of Friedman test done on rating of presence of different emotions in selected magazine advertisements by Delphi experts. This result also markedly pointed out the differences in the usage of different emotions by magazine advertisements (Chi Square value of 40.41 significant at 0.01 level). According to the results joy was the key emotion present in (Mean=3.80 with an SD of 1.20) magazine advertisements followed by love (Mean= 3.20 with an SD of 1.32) and surprise (Mean =3.00 with an SD of 1.06). Results also revealed that mild presence of sadness (Mean=1.33 with an SD of 0.48) and fear (Mean=1.13 with an SD of 0.35) in magazine advertisements.

Table 11: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Magazine Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Types of Emotions	Mean	SD	Mean Rank	Chi-Square
Love	3.20	1.32	3.83	40.41**
Joy	3.80	1.20	4.30	
Surprise	3.00	1.06	3.27	
Sadness	1.33	0.48	1.90	
Fear	1.13	0.35	1.50	

**** * Significant at 0. 0 1 level, Source : Primary data***

Table-12 reveals the results of Friedman test done on rating of presence of different emotions in selected web advertisements. This result also markedly pointed out the differences in the usage of different emotions by magazine advertisements (Chi Square value of 43.20 significant at 0.01 level). According to the results in magazine advertisements also joy was the prominent emotion (Mean = 4.00 with an SD of 1.06). In web advertisements the difference in the usage of joy and other emotions were markedly different. The results reveal that presence of other emotions - positive emotions (love mean rating =1.80 with an SD of 1.01, surprise mean rating =1.53 with an SD of 0.74) in web advertisements is very minimal. The rating of both the negative emotions was found to be the least (both mean = 1 with an SD of 0).

Table 12: Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Web Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Types of Emotions	Mean	SD	Mean Rank	Chi-Square
Love	1.80	1.01	3.23	43.20**
Joy	4.00	1.06	4.80	
Surprise	1.53	0.74	2.83	
Sadness	1.00	0.00	2.07	
Fear	1.00	0.00	2.07	

**** * Significant at 0. 0 1 level, Source : Primary data***

Table 13 : Results of Friedman Test Done on Rating of Presence of Different Emotions in Selected Television Advertisements by Delphi Experts (N (Number of Raters) = 15, Degrees of Freedom=4)

Types of Emotions	Mean	SD	Mean Rank	Chi-Square
Love	3.66	0.89	4.17	39.91**
Joy	3.53	1.06	4.17	
Surprise	2.73	1.09	3.10	
Sadness	1.73	0.70	2.17	
Fear	1.20	0.41	1.40	

**** * Significant at 0. 0 1 level, Source : Primary data***

Table - 13 reveals the results of Friedman test done on rating of presence of different emotions in selected television advertisements. This result also distinctly pointed out the differences in the usage of different emotions by television advertisements (Chi Square value of 39.91significant at 0.01 level). In television advertisements love was found to the foremost emotion (Mean = 3.66 with an SD of 0.89) followed by joy (Mean = 3.53 with an SD of 1.06) and surprise (Mean = 2.73 with an SD of 1.09). Both negative emotions (Mean rating of sadness =1.73 with an SD of 0.70 and mean rating of fear = 1.20 with an SD of 0.41) were found to be very less present in television advertisements.

The second and third Delphi iterations of the study aimed at developing a theoretical classificatory model of product benefits offered by Indian hatchback car brands and the presentation styles adopted by these brands in their advertisements. In the second iteration the list of identified product benefits and presentation styles were distributed to the Delphi experts with instructions to code the data in a meaningful order and the data were collected back and scrutinized. The scrutinized data was once more sent to the experts in the third iteration to sort out the differences and come to a common consensus. Based on this feedback classification of rational and presentation strategies adopted by Indian hatchback advertisements were developed. Details of the model are depicted in figure-1 and 2.The model incorporates five types of product benefits i.e. performance features, aesthetic features, ergonomic features, safety features and quality features. Performance features consist of those product benefits offered by different car brands which directly contribute to the smooth performance of the car like engine power, advance control, better road handling etc.

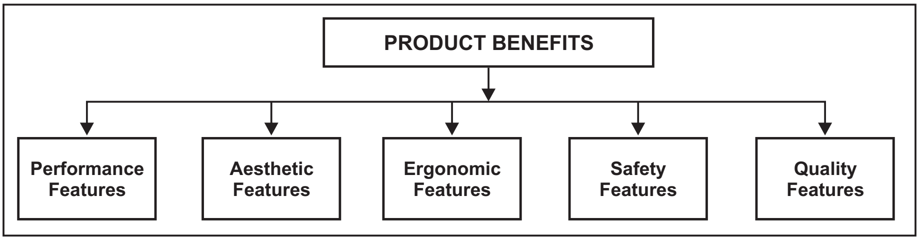
Aesthetic features are those features of the car which directly contributes to the beauty and style of the car like exterior design, colour design etc (Table 15). Ergonomic features are those features that optimize well-being while travelling, by facilitating better control and comfort like, better interior space, sitting comfort, driving comfort, control and display systems etc (Table 16). Economic features are those features that try to satisfy buyers through financial and cost saving benefits (Table 17).

In the fourth and fifth iteration each Delphi experts grouped each product features and presentation styles identified in the first iteration into different classificatory groups of the model. Detail list of those product benefits offered by different car brands which directly contribute to the smooth performance features classified by Delphi experts as performance features in the final iteration are given in table - 14.

Detail list of those features of the car which directly contributes to the beauty and style of the car classified as aesthetic features by Delphi experts in the final iteration are given in table-15. Detail list of features that optimize wellbeing of the travellers while travelling classified as safety features by Delphi experts in the final iteration are given in model. Detail list of those product benefits offered by different car brands which directly contribute to the smooth performance features classified by Delphi experts as performance features in the final iteration are given in table-14. Detail list of those features of the car which directly contributes to the beauty and style of the car classified as aesthetic features by Delphi experts in the final iteration are given in table-15. Detail list of features that optimize wellbeing of the travellers while travelling classified as safety features by Delphi experts in the final iteration are given in the final iteration are given in table-18. Detail list of those assurances in the advertisements that ensure quality classified as quality features by Delphi experts in the final iteration are given in table-19.

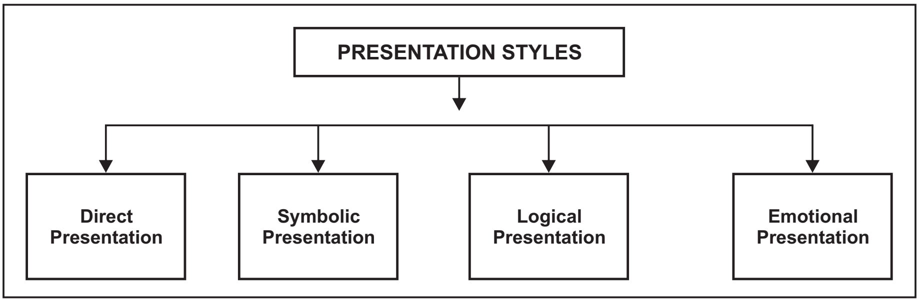
Table-20 presents the Detail list of the presentation styles classified under different presentation categories by Delphi experts in the final iteration.

Figure 1 : Classificatory Model of Product Benefits Offered by Indian Hatch Back Car Brands



Source : Primary data

Figure 2 : Classificatory Model of Types of Presentation Styles Adopted by Indian Hatchback Car Advertisements



Source : Primary data

Table 14 : Product Benefits Classified as Performance Features

PRODUCT FEATURES	
Advance Control	Better Road Side Assistance
Advanced Brakes	Fuel Tank Features
Advanced Transmission	Lighting System
Better Functioning Wheels	Tubeless Radial Tyres
Better Power	Wiper And Defogger Features
Better Road Handling	

Source : Primary data

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Table 15 : Product Benefits Classified as Aesthetics Features

AESTHETIC FEATURES	
Alloy Wheels	High Class Upholsteries
Chrome Radiator Grille	Interior Design
Colour Design	Pillar Styling Stripes
Deluxe Floor And Carpet	Roof Rails
Exterior Design	Sculpted Side Panels
Full Wheel Covers	Sloping Roofline
Graphic Design	

Source : Primary data

Table 16 : Product Benefits Classified as Ergonomic Features

ERGONOMIC FEATURES	
Advanced Interior Lamps	Mirror Features
Better Interior Space	Parking Comfort
Customized Accessories	Pockets, Bags, And Storage Facilities
Display And Control Features	Seating Capacity
Door And Window Features	Sitting Comfort
Driving Comfort	Travelling Comfort
Heating, Ventilation, And Air Conditioning Systems	Wind Screen And Wind Shield Features
In Car Entertainment Features	

Source : Primary data

Table 17 : Product Benefits Classified as Economic Features

ECONOMIC FEATURES	
Battery And Other Power Savers	Insurance
Discount Benefits And Additional Offers	Low Operation And Maintenance Cost
Finance And Loan Benefits	Price Details
High Mileage	Special Edition Offers
Resale Value	Warranty

Source : Primary data

Table 18 : Product Benefits Classified as Safety Features

SAFETY FEATURES	
Driver Assistance Systems	Crashworthy Systems
Burglar Alarm	Driver Warning System
Child Lock System	Key And Lock Features

Source : Primary data

Table 19 : Product Benefits Classified as Quality Features

QUALITY FATURES	
Aerodynamic Efficiency	Quality of Interior Parts
Colour Quality	Quality of Spare Parts
Engine Quality	Quality of Tyres
Maintaining Engineering Standards	Steel Quality
Maintaining Pollution Control Standard	Technological Advancements

Source : Primary data

Table 20 : Presentation Styles Classified Under Different Models

PRESENTATION STYLES	
Direct Presentation	**Logical Presentation**
Direct Presentations Depicting Performance Features	Presentation Claiming Research Evidence
Direct Presentations Depicting Aesthetics Features	Presentation Showing Best Selling Awards And Quality Certificates
Direct Presentations Depicting Ergonomic Features	Presentation Through Celebrity Endorsement
Direct Presentations Depicting Economic Features	Presentation Using Demonstration
Direct Presentations Depicting Safety Features	Presentation Using Testimonials
Direct Presentations Depicting Quality Features	Presentation Using Comparison With Competitive Brands
Symbolic Presentation	**Emotional Presentation**
Presentation Using Dramatized Problem And Solution Method	Emotional Presentations Using Humor
Presentation Using Imaginary And Fantasy Oriented Stories	Emotional Presentations Using Love And Related Emotions
	Emotional Presentations Creating Surprise
	Emotional Presentations Using Fear Factor

Source : Primary data

Conclusion

Auto industry in India particularly entry level especially hatchback segment is very promising and growing in a very high pace and there exists a tough competitions between brands. In Indian consumer minds car is something more than a machine to travel with comfort.

Advertisements are always used as a strong medium by marketers for communicating vital product information to the customers and persuading them to do the purchase.

The purpose of the study is to analyze, identify and classify specific advertisement appeals used by major Indian hatchback entry level car companies by using the methodology of content analysis.

Appeal was differentiated into rational appeal and emotional appeal. Rational appeal was conceptualized as those advertisement messages offering different product benefits and emotional appeal was conceptualized as the attempt of advertisements to stir up either negative or positive emotions in customers to motivate purchase.

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A systematic analysis of selected advertisements using Delphi technique identified the major product benefits and presentation styles adopted by the advertisements and developed a theoretical classificatory model.

The study also analyzed the emotional strategies adopted by these advertisements and concluded that Indian hatchback advertisements significantly differ across media in the usage of various emotions.

Future Research Direction

Taking a decision to buy a car is a complex buying behaviour and is an interesting area for academic research. Present study is an effort to identify different appealing strategies practised by the Indian hatchback car advertisements to market their brands. In the advertisement effectiveness research area the effectiveness of an advertisement is measured from the point of view of buyers. An effective advertisement is an advertisement that persuades and motivates customers to buy.

Consumers are different in respect of their physiological, psychological and social make up. One strategy that works with one group of customers may not work with another group of customers. For e.g. Krugman (1972) did an extensive study on the hemispheric differences in the processing of advertisements and concluded that left brain is needed more to read a press advertisement but we see television commercials with right brain. His another hypothesis is that "feeling" advertisement gets stored in the right brain, while "thinking" advertisements are processed in the left brain. From this hypothesis we can derive another hypothesis that consumers based on their cerebral hemispheric dominance differ in processing advertisement messages.

The present classificatory system that defines clearly the advertisement appeals and the presentation styles adopted by Indian hatchback car advertisements noticeably helps future researchers interested to find out any processing differences (like physiological, psychological or social) between consumer groups.

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TOBACCO INDUSTRY IN MEXICO: GOVERNMENT AS A FORMAL REGULATORY INSTITUTION

ABSTRACT

This article focuses on the strategies implemented by government institutions to control the consumption of Tobacco in Mexico. The reader will learn the fundamental and priority issues driving these institutions to make decisions and regulate the tobacco industry. The increase in population actively smoking and how it affects social, economic and labor to society displays. Smokers generate a great expense to society, since this covers all costs associated with smoking diseases. Labor issues in man hours lost when the need for a cigarette left his job and socially affected when exposed to non-smokers to smoke tobacco. That's why the regulatory pillar creates laws and regulations that control the consumption of tobacco.

Keywords : *Consumer, smoking, taxation, taxes, tobacco industry, government institutions, regulatory, tabacco.*

JEL *H25, L66, L52, I18, M14*

Introduction

The tobacco enterprises are an interesting industry for its analysis, due to its history and evolution, and the effects and incentives that the industry achieves on its end users, and to know how the Mexican socio-cultural environment empowers them to remain profitable. Most studies on the tobacco industry are related to health issues and the constant struggle of the government to combat the high consumption of tobacco. In the case of Mexican cigarettes, the product is the most consumed snuff being a cause susceptible of mortality prevention. There are produced Annually in Mexico 43.7 billion of cigarettes, as per the data provided by an investigation conducted by the INEGI (2012).

Manufacturing in the Mexican tobacco industry includes three economic activities: The benefit of snuff, which includes activities such as drying, fermentation and aging of leaves; cigar manufacturing output; and pure cigars which are classified as distinct activities. Of these three activities, the cigar has the highest percentage and contributes to the Gross Domestic Product (GDP) of the industry with about 90 percent of value added. Second is the benefit of snuff with a share that has fluctuated between 4 and 11 percent between 1990 and 2000; it remains, marginally, the manufacture of pure cigars, which contributes only 0.7 percent to the value added of industry (Herrera, Hernandez and Espinoza, 2012).

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Background

Since prehispanic times the cultivation of tobacco has been paramount. The Mesoamerican people smoked or chewed leaf snuff alone or combined with lime or other spices and were used for rituals, social and cultural practices. In 1807, the Bourbon and its viceroys inaugurated the Real Snuff Factory in Mexico City, and from 1876 establishments of tobacco rose being mostly small craft workshops, of which only a few were consolidated in the last third of nineteenth century (Saloma, 2003).

In 1868, the Mexican tobacco industry was influenced by tobacco manufacturers and artisans who fled the war unleashed in Cuba and arrived in Veracruz. They shared their knowledge on tobacco cultivation; processing and transformation of leaf snuff (Saloma, 2003). In the nineteenth century, the dark sheet features strong taste and less nicotine was shown to be produced. But in the twentieth century snuff consumption habits had undergone major changes. Since the late 20s increased consumption of light cigarettes caused the industry would be in the need to shift production to experiment with cigarettes produced by clear snuff leaves nationwide, because these have a bland flavor and a higher concentration of nicotine, in contrast to the dark sheet.

Nayarit being the first to adapt the blond tobacco in Mexican soil, and for being the first place in national production. Nayarit offered a source of raw material to large multinationals, also a potential market for consumption and geographically a strategic point for marketing and distribution throughout Latin America.

As foreign investment came in 1923 the British American Tobacco (BAT) plants were started in Mexico City, Monterrey and Irapuato. It was until 1997 when Phillips Morris International (PMI) opened a branch in Mexico, comprised by Grupo Carso controlling 49.9% and 50.1% subsidiary IKM with actions. In 2004 it was ratified the Framework Convention Snuff Control (FCTC) following the General Law for the Control of Snuff and Regulations in 2008 and 2009, thus initiating a new process in Mexico to regulate the consumption of snuff.

Delimitation of the problem

The tobacco industry is one of the largest and most powerful industries in the world. The industry has created controversy regarding the harmful aspects that lead to the deterioration of health, and as its misleading advertising affects children and adolescents to become active consumers. These accusations have been rejected and defended by the tobacco firms to clean up its image. The smoking problem is large nationally, because in Mexico snuff consumption causes more than 60,000 deaths annually. Also it also negatively impacts the family economy and involves lost work productivity, premature mortality, and high costs to the health sector (Guerrero, Munos, and Reynales Saenz, 2012).

Justification rationale

Although Mexico has made progress in reducing the consumption of snuff, cigarettes and derivatives, these products are available to everyone, including children and adolescents. This is a social and public health problem as well as high costs for medical care and diseases associated with smoking. According to Lazcano, Reynales,

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Guerrero, Vallejo, Muñoz, Barrientos Thrasher Arillo, Saenz de Miera and Pérez (2013) of the National Survey of Addictions Snuff 2011, it mentions that the most vulnerable population group and risk are adolescents between 12 and 17, where 1.7 million adolescents are current smokers.

In addition, the data also sheds involuntary exposure to smoke snuff where 12.5 million Mexicans who have never smoked commented to be exposed to smoke snuff in workplaces and homes. That is why it is important to double the efforts to increase and keep creating tobacco or smoking free public places and spaces and continue to invest in and emphasize awareness among smokers about the risks of taking and consuming snuff and the damage to which expose it who are close to them. Also Sesma, Campuzano, Carreon, Knaul, Lopez and Hernandez (2002) reported that the application of foresighted pricing policies tend to reduce demand. This policy certainly worked, but it would also be advisable to reaffirm policy and reassess the taxation to snuff.

Another focal point is the social culture. At household is the problem of exposure to snuff smoke. Much remains to sensitize families and realize the health problems that are caused by the access of snuff smoke to family members, especially children and adolescents. Factors that potentiate the onset of consumption in adolescents are age, having family and close friends who smoke, the need to belong, and fashion. Among other factors that are presented, Waters, Sáenz de Miera, Ross y Reynales (2010) note that in a 2002 survey found that 73% of 557 shops surveyed sold cigarettes to children.

Assumption

This research focus on knowing whether the effects of public decisions and government efforts to halt or minimize the consumption of snuff are effective

Conceptual and Theoretical Background

Since the dynamics of the interaction between the organization and institutions are considered strategic decisions, for such interaction is important to know the formal institutions that affect the decisions of tobacco. Institutions are constraints that structure human-sharing incentives, created it political, social and economic, so that institutions define and limit the set of choices of individuals (North, 1990). Conduct an analysis from the point of view based on the institutions will know the laws, rules and regulations imposed by the government which is the regulatory pillar of formal institutions.

Since Mexico is a country with an important, potential and growing market for the tobacco industry, it has been intercepted since Mexico ratified the Framework Convention on Tobacco Control (FCTC), and has deployed multiple strategies to influence public policy of snuff control. In this way it has managed to alter and delay the enactment of the regulatory framework adopted policies of the FCTC (Madrazo and Guerrero, 2012).

Because Latin America has a weak structure in their institutions, Madrazo and Guerrero (2012) mentions that this weakness allows the strategies implemented by the snuff industry to be more effective and profitable. It is important to understand from a theoretical point the interactions between government impositions and the tobacco industry, and the culture of the company to comply with the regulations imposed.

Contextual framework

The two largest companies in the tobacco industry work under vertical integration since 1989. Philip Morris International (PMI) and British American Tobacco (BAT) who introduced to their manufacturing and marketing processes, cultivation and deveined of snuff leaf with the acquisitions of plants TADESA and PROTAMEX respectively (COFUPRO, 2002).

The cultivation of tobacco is dominated by four multinational companies being the only buyers, giving them the power over farmers to negotiate and fix the price of leaf snuff by type and quality (Waters *et al.*, 2010). However, for farmers it is more profitable than any other crop. Only 0.05% of the total cultivated area of Mexico was used for the production of sheets of snuff in 2007.

Production value of snuff leaves in the country accounts for only 0.1% of the value of total agricultural production (Waters, *et al.*, 2010). The value of production of snuff sheets represents only 0.07% of the value of total output of the primary sector. Currently, most snuff leaf production is concentrated in the states of Nayarit and Veracruz representing 92.8% of the national production. However most of the leaves that are used to manufacture the national snuff products are imported (Waters, *et al* 2010.).

The following production data are presented in tons of snuff:

Table 1 : National production of tobacco sheet

Key Mexican States for Production of Tobacco (Tons)					
ESTADOS	**2004**	**2005**	**2006**	**2007**	**2008**
Nayarit	18,387.50	12,779.30	16,402.71	10,099.73	8,971.50
Veracruz	1,492	1,859	1,822	1,898.50	1,940.18
Chiapas	1,760.50	1,354	569.5	704	457
Guerrero	67.4	37.3	56.84	54.2	55
Jalisco	36.94	65	510.6	224	0
TOTAL	**21,744.34**	**16,094.60**	**19,361.65**	**12,980.43**	**11,423.68**

Source: Agricultural Marketing Veracruzana Commission with data www.siacon.sagarpa.gob.mx

The Global Adult Tobacco Survey (GATS for its acronym in English) of Mexico, throw that the snuff consumption in 2009 was 15.9% of the population (10.9 million) who are active smokers: 24.8% (8.1 million) of men and 7.8% (2.8 million women). 7.6% are daily smokers (11.8% men and 3.7% women). Daily smokers, on average, consume nine cigarettes per day (men 10 cig. / Day and Women 8 cig. / Day).

The National Survey of Addictions (ENA) of 2011 reported consumption of snuff active 21.7% corresponding to 17.3 million Mexican smokers, of whom 31.4% are male and 12.6% are female (12 million men and 5.2 million women). The ENA estimated average daily smokers consumed 6.5 cigarettes per day (men 6.8 cig / day and women 5.6 cig. / Day), and a monthly spending on teens $ 311.5 and adults $ 400.5 in cigarette consumption.

Table 2: Active smoking

Percentage of active smoking population from 12 to 65 years old						
			2009			**2011**
Consumption of tobacco	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Active smoker	24.80%	7.80%	15.90%	31.40%	12.60%	21.70%
Daily smoker	11.80%	3.70%	7.60%	13.20%	4.80%	8.90%
Occasional smoker	13%	4.10%	8.40%	18.10%	7.80%	12.80%

Source : Based on data from 2009 and ENA GATS 2011.

As it can be observed from the table above, consumption rose in two years from 15.9% to 21.70% of the population. So it is reiterated that government institutions should be strict in implementing regulations of public places being smoke-free, taxes to tobacco and health warnings. The policies provided by the FCTC have not been fully implemented, although several years have passed since its signing and ratification 2003-2004 until today. This is because assessments concluded recently by the World Health Organization (WHO) which

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reflects that can still take actions to fully comply with the regulatory framework of the FCTC to protect the health of Mexicans (COFEMER, 2012).

On the other hand, the strategy of the two major global cigarette companies is to increase production of cigarettes in Mexico and higher exports. PMI and BAT together account for approximately 95% of the Mexican market, most of the production is consumed domestically. Imports account for only about 2% of the national production (Waters *et al.*, 2010). The tobacco industry represents approximately 0.47% of manufacturing GDP. Growth decelerated to a large margin in 2011, the tobacco industry decreased by 18.54% over the previous year. In the table above it can be reflected the decline in production and sales.

The following table shows the growth of the production of the tobacco industry shows :

Table 3 : Tobacco industry in Mexico

Indicador	Unidades	2007	2008	2009	2010	2011	2012	Ene-Sep 2012 [a]	Ene-Sep 2013 [a]	Crecimiento
Producción [1]	Millones de pesos	10,467	11,425	11,019	10,446	8,509	8,460	8,579	10,560	23.08%
Crecimiento % Anual	Por ciento	-7.20%	9.15%	-3.55%	-5.20%	-18.54%	-0.58%			
% PIB Total	Por ciento	0.09%	0.09%	0.09%	0.09%	0.07%	0.06%	0.06%	0.08%	
%PIB Manufacturero	Por ciento	0.51%	0.56%	0.59%	0.52%	0.40%	0.39%	0.39%	0.47%	
Balanza Comercial	Millones de dólares	118	147	106	110	129	183	147	162	10.37%
Exportaciones [2]	Millones de dólares	332	327	271	291	300	317	242	246	1.70%
Importaciones [2]	Millones de dólares	213	180	165	181	171	135	95	83	-11.77%
% Exportaciones Total	Por ciento	0.12%	0.11%	0.12%	0.10%	0.09%	0.09%	0.09%	0.09%	
% Exportaciones Manufacturero	Por ciento	0.15%	0.14%	0.14%	0.12%	0.11%	0.11%	0.11%	0.11%	
Empleo [3]	Empleados	3,521	3,234	2,980	2,717	2,557	2,378	2,454	2,294	-6.52%
% Empleo Manufactura	Por ciento	0.11%	0.10%	0.10%	0.09%	0.08%	0.07%	0.08%	0.07%	
No Empresas [3]	Unidades	11	11	10	9	9	8			
Ventas nacionales [3]	Millones de pesos	8,878	9,047	9,950	9,966	6,837	8,370	6,920	6,268	-9.42%
IED [4]	Millones de dólares	-65.432	36.567	33.497	0.079	0.000	0.109	0.095	712.108	746536%

1/ PIB a precios de 2008. Sistema de Cuentas Nacionales, INEGI.
2/ Grupo de Trabajo de Estadísticas de Comercio Exterior, Banco de México, INEGI, SAT y la Secretaría de Economía.
3/ Encuesta Mensual y Anual de la Industria Manufacturera, INEGI.
4/ Secretaría de Economía.
a/ PIB e IED al tercer trimestre de 2012 y 2013.

Source: Subsecretaría de Industria y Comercio. Secretaría de Economía. (Department of Trade and Industry. SE.)

Tobacco Control

Over time, Mexico has implemented laws to control snuff, as the numbers of smoking population is alarming, and even more alarming is that every year younger population start smoking at an early age. The regulatory pillar implemented the following to control snuff. Since 1973, health warnings on cigarette packets were introduced, and by 1993 it was mandatory in outdoor advertising to show health warnings (Waters *et al.*, 2010) being awarded. With the ratification of the FCTC in 2004 advertising on radio and television was banned. This treaty is sponsored by World Health Organization (WHO), and the goal is to protect present and future generations from the devastating health, social, environmental and economic consequences derived from consumption of tobacco and underage exposure to smoke snuff. Art. 3 from CMCT. (CMT, 2003).

The article 4th mentions the basic principles: access to information as to the health consequences, addictive nature and mortal threat posed by snuff consumption and exposure to tobacco smoke; commitment to establish or support comprehensive multi-sectorial measures, the need to take measures to prevent their initiation, to promote and support cessation; must be taken at national, regional and international levels comprehensive measures and integral, multi-sectorial responses to reduce consumption of all snuff products, in order to prevent diseases, premature disabilities and mortality; besides civil participation is essential to achieve the objective of the Convention and its protocols.

The General Health Law contained most of the legislation for the control of tobacco. Article 189 mentioned about putting into practice actions, such as the investigation of the causes of smoking and actions to control and promote education in families to prevent the use of snuff by children and adolescents. But generally promotes counseling for smokers to quit snuff consumption, especially children and adolescents.

The General Control Act of Snuff was established in 2008. In the absence of established provision, the General Health Act additionally applied. This Act referred to in Article 5 that aims to establish bases for protection against smoke snuff, protect the rights of non-smokers to live in spaces 100% smoke-free snuff, institute measures to reduce consumption of snuff especially in minors, to establish general guidelines for the design and evaluation of legislation and evidence-based public policy against smoking.

Articles 14 to 17 contain regulations on the distribution, trading and sale of tobacco. The sale of cigarettes is prohibited, the sale of snuff products are prohibited to minors. Items 18 to 22 contain regulations about packaging and labeling. The graphic warnings must be visible and may vary over time. Articles from 26 to 29 contain regulations for the protection of non-smokers, and Articles 30 to 34 contains regulations to combat illegal production and sale of snuff products (Waters *et al.*, 2010).

The level of the Special Tax on Production and Services (IEPS) for filter cigarettes has changed a number of times over the years. Between 1995 and 2000, the level of taxes declined to 85%. Since 2000, the percentage has increased uniformly up to the current level of 160%. In late 2006, the progressive annual increases are approved. On the other hand the tax rate for unfiltered cigarettes increased from 20.9% to 60% in 2002 from 2005 the same rate applies to all types of cigarettes.

The import taxes for the year 2010 was approximately 67%, the price includes the cost of importing package, packaging, transport and insurance.

Marketplace failures

Consumers of underestimate the risks of tobacco due to poor information. Tobacco companies have no incentive to provide information about the benefits of quitting and their investigations are biased. Another problem is the lack of outreach on the addictive potential. Smokers acquire a psychological addiction to smoking and physical addiction to nicotine (COFEMER, 2012).

For that government intervention is justified, the theory of economic rationality assumes that market failures are large enough to justify the costs of the intervention, taking into account that the measure is effective in solving the market failure. The government can use as a mechanism to reduce information failures further highlighting the damage caused by the use and its effects, making massive information campaigns, warning labels on the product and research funded by public resources to improve understanding of the risks .

Taxes are the most effective measure to prevent children and teens from smoking snuff, to protect non-smokers and get adequate resources to continue informing smokers about health damage (COFEMER, 2012).

Methods

The analysis method is used, because the approach to the problem of this article is defined as qualitative type of analysis does not allow us to obtain accurate statistical data to develop a quantitative analysis, so we will focus only on the theoretical information.

Results

The laws and regulations that the government has imposed have caused a slowdown in the growth of consumption of snuff, and it is reflected in 2011 when a tax increase achieved a significant drop in both production and sales, and consumption. However, in later years, it is observed again that the tendency of tobacco consumption rising slowly. It should be noted that although Mexico has excellent tax regulations to control and reduce consumption, much remains to be done for efficient of laws.

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It is required to invest in creating awareness in society, to show the importance of a free Mexico from the snuff smoke where non-smokers have a right to clean air, and young people are not influenced by misleading advertising. And no. they do not have full information about the harm caused by snuff, and are not really aware of what they are consuming and their effects. When a regulation is implemented they shall become aware of the psychological aspects of the individual and addiction to nicotine included in the snuff, and note that the tobacco industry will seek to stay as a necessary item.

According to several studies which agree that taxing and affecting its price, is the most effective strategy to reduce consumption of tobacco. But government institutions must be strong and hold strategy which still has weak bases, the snuff industry will remain profitable

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ENTREPRENEURIAL MOTIVATION IN SMALL SCALE SECTOR: NATIVITY-WISE ANALYSIS

ABSTRACT

This paper endeavors to examine the entrepreneurial motivation in small scale sector by taking a sample of 250 entrepreneurs from the State of Haryana. Data have been classified on the basis of nativity of entrepreneurs. Chi-square test has been used to find association, if any, between the nativity of entrepreneurs and various motivation related statements. The analysis of data reveals that motives of entrepreneurs hailing from rural and urban areas differ considerably. Entrepreneurs coming from urban areas have more desire to be employers as compared to their counterparts from rural areas. Similarly entrepreneurs coming from urban areas want to get maximum returns from their talents. The entrepreneurs hailing from rural and urban areas want to earn maximum wealth from their enterprises. The entrepreneurs hailing from urban areas have more desire to be independent. To pay old debt is main motive of entrepreneurs hailing from rural areas. Overwhelming proportion of entrepreneurs coming from rural and urban areas want to have their own work style and life style. The entrepreneurs hailing from rural and urban areas want to earn respect of people by adopting this profession. To get financial and other type of assistance from government agencies is no longer main motive of entrepreneurs Majority of entrepreneurs coming from rural and urban areas. Training institutes should design their motivation programs keeping in view the interest of the entrepreneurs. More emphasis should be laid on innovation aspect relating to business. Innovations will make their businesses different from the traditional businesses.

Key Words : *Motivation, Independent, Finance, Training*

Entrepreneurial Motivation in small scale sector : Nativity-wise Analysis

Small scale sector plays an important role in economic development of nations at global level. This sector has potential to generate gainful employment opportunities and income for overwhelming proportion of population. This sector contributes towards the exports of the country. It helps in solving the problem of Balance of Payments in the economy. Small scale sector maintains better rapport between employer and employees, thereby maintaining better industrial relations in the economy. Keeping in view the significance of small scale sector, in this paper, an attempt has been made to analyse the motives of entrepreneurs of small scale sector to enter into businesses. The area assumes significance keeping in view its contribution to the economies at the global level. In present paper, an attempt has been made in this direction.

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Review of Literature

The literature cites the various studies conducted in this area. Some of the studies conducted in this area have been discussed in the following paragraphs:

Mambula (2002) analysed major constrains faced by SMEs in Nigeria. A sample of 32 small business entrepreneurs was taken. Analysis of data revealed that majority of SMEs face the problem of finance and infrastructure while managing their businesses. The author recommended that small business entrepreneurs should collaborate with each other to sort out the various problems faced by them. There is a need to form alliance of Government, Research Institutions and Financial Institutions to create appropriate training for prospective small business. All these measures will go a long way to strengthen the growth of small scale sector.

Kuruba (2006) has analysed issues in the promotion of small business enterprises in Botswana. The author has observed that Botswana economy has a congenial atmosphere for the growth of small business enterprises. There is a need to provide training, financial and institutional support for these enterprises.

Ismail, *et al* (2006) have analysed motivation in business start-ups among Malay entrepreneurs and the problems faced by these entrepreneurs. The study has concluded that there is large number of motivational factors but chief among them are personal development and financial security. Insufficient finance and tough competition from others are the main problems faced by entrepreneurs.

Wu *et al* (2008) have examined an empirical evidence of small business financing in China. A sample of 60 small businesses from three cities of china was taken. The study has revealed that at the initial stage, SMEs in China had used their own sources and finances from relatives and friends. But at the later stages, SMEs in China have used bank finance. The reason being, banks in China require various formalities to be fulfilled by SMEs, such as taxation, submission reports, accounting and credit rating scores documentations, etc.

Khanka, S.S. (2009) has examined the motivational orientation of Assamese entrepreneurs in the SME sector. To achieve this objective, a sample of 243 entrepreneurs from the state of Assam had been taken. The finding of the study highlighted that entrepreneurs were motivated by economic independence followed by personal growth, autonomy and recognition. The study has shown that entrepreneurial motivation changed with experience of the entrepreneurs. The role of the entrepreneurs changes from doers to the role of implementer. The entrepreneurs with higher experience are motivated by higher status and recognition. The reason to this has been attributed to increase in complexity of business over a period of time.

Benzing, C. and Chu, H.M. (2009), have analyzed the motivational factors among small business owners sample of 599 entrepreneurs from Kenya, Ghana and Nigeria. Likert type five degree scale was developed to analyze the motivational factors to start small businesses. Factor analytical techniques were used to compare the motivational factor among entrepreneurs of these countries. A gender-wise comparison was also made in this study. The factor analytical model found three motivational factors among the entrepreneurs of these countries. These were: family, external validation and self betterment factors.

Irwin. D. and Scott, J.M. (2010) have analyzed the barriers faced by SMEs in raising bank finance in U.K. A survey of 400 SMEs was conducted. Three personal characteristics such as ethnicity, gender and education have been taken. The study has observed that entrepreneurs having graduate level of education face the least problems in raising finance. In case of ethnicity of entrepreneurs, black owner mangers encountered more problems in raising finance. The study has concluded that the suitable policy measures be formulated to provide finance to marginalized group on liberal terms and conditions

The above studies have touched the various aspects relating to entrepreneurs in small scale sector in the different countries of the world but only few studies seem to have touched the areas relating to entrepreneurial motivation at the regional or State level. The present study proposes to fill the gap in existing literature.

Objectives and Methodology

The study has been pursued to analyze the entrepreneurial motivation in small scale sector. To analyze this issue, a sample of 250 entrepreneurs was taken from the state of Haryana. To analyze the entrepreneurial motivation, Likert type five-point scale from strongly agree to strongly disagree had been developed. A well-designed questionnaire was prepared and administered to the entrepreneurs of the small scale sector. To find out association, if any, between the selected variables related to entrepreneurial motivation and nativity of entrepreneurs, chi-square test was used.

Hypothesis of The Study

The study is based on the following hypothesis:

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneur to become employer.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to get maximum return from their talent.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to acquire wealth.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to be inferior to none.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to become independent.

H_o: There exists no significant relationship between nativity of entrepreneurs motive of entrepreneurs to clear their debt.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to have their own work style and lifestyle.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to earn respect of people.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to get over monotony and experience.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to utilise loans and concessions from government.

H_o: There exists no significant relationship between nativity of entrepreneurs and motive of entrepreneurs to compete with others and prove themselves as the best.

Results and Discussion

Table 1 : Nativity -wise motive of entrepreneurs to become an employer

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	13(16.5)	12(15.2)	23(29.1)	21(26.6)	10(12.7)
Urban	51(29.8)	58(33.9)	41(24.0)	12(7.0)	9(5.3)
Total	64(25.6)	70(28.0)	64(25.6)	33(13.2)	19(7.6)
Chi-Square = 30.656;		**df** = 4;		**significant**	

Table 1 highlights that the motive of the entrepreneurs is to become an employer through business profession. 53.6 percent entrepreneurs agree with this statement. Nativity-wise information further shows that entrepreneurs hailing from urban areas agree with this statement relatively more than entrepreneurs coming from rural areas. 63.7 per cent entrepreneurs coming from urban areas agree with this statement. On the other hand, 31.7 per cent entrepreneurs coming from rural areas agree with this statement. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

Table 2 : Nativity -wise motive of entrepreneurs to get maximum returns from talent

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	16(20.3)	24(30.4)	31(39.2)	4(5.1)	4(5.1)
Urban	48(28.1)	91(53.2)	21(12.3)	11(6.4)	-
Total	64(25.6)	115(46.0)	52(20.8)	15(6.0)	4(1.6)
Chi-Square = 35.125;		**df** = 4;		**significant**	

Table 2 shows the desire of the entrepreneurs to get maximum returns from their talent through business. 71.6 per cent entrepreneurs agree with this statement. Nativity-wise information further shows that entrepreneurs hailing from urban areas agree with this statement relatively more as compared to entrepreneurs coming from rural areas. 81.3 per cent entrepreneurs in the former case agree with this statement, whereas this ratio is 50.7 per cent in latter case. It seems that entrepreneurs related to urban areas want to get maximum returns from their talent through business. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

Table 3 : Nativity -wise motive of entrepreneurs to acquire a lot of wealth

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	20(25.3)	28(35.4)	21(26.6)	6(7.6)	4(5.1)
Urban	54(31.6)	65(38.0)	34(19.9)	14(8.2)	4(2.3)
Total	74(29.6)	93(37.2)	55(22.0)	20(8.0)	8(3.2)
Chi-Square = 3.191;		**df** = 4;		**insignificant**	

Table 3 shows the motive of the entrepreneurs to acquire a lot of wealth for themselves through business. 66.8 per cent entrepreneurs agree with this statement. Nativity-wise information further highlights that entrepreneurs belonging to urban areas agree with this statement relatively more as compared to entrepreneurs

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belonging to rural areas. 69.6 per cent entrepreneurs hailing from urban areas agree with this statement. On the other hand, 60.7 per cent entrepreneurs coming from rural areas agree with this statement. The value of chi-square is found to be statistically insignificant. It shows that these two variables are independent.

Table 4 : Nativity -wise motive of entrepreneurs to be inferior to none

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	9(11.4)	9(11.4)	18(22.8)	15(19.0)	28(35.4)
Urban	36(21.1)	18(10.5)	37(21.6)	35(20.5)	45(26.3)
Total	45(18.0)	27(10.8)	55(22.0)	50(20.0)	73(29.2)
Chi-Square = 4.472;		**df** = 4;		**insignificant**	

Table 4 shows the desire of the entrepreneurs to be inferior to none through business. 28.8 per cent entrepreneurs agree with this statement. Nativity-wise information further shows that entrepreneurs coming from urban areas agree with this statement more than entrepreneurs coming from rural areas. 31.6 per cent entrepreneurs coming from urban areas agree with this statement, whereas this ratio is 22.8 per cent in case of entrepreneurs coming from rural areas. The value of chi-square is found to be statistically insignificant. It shows that these two variables are independent.

Table 5 : Nativity -wise motive of entrepreneurs to be independent

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	21(26.6)	14(17.7)	34(43.0)	10(12.7)	-
Urban	63(36.8)	76(44.4)	24(14.0)	8(4.7)	-
Total	84(33.6)	90(36.0)	58(23.2)	18(7.2)	-
Chi-Square = 36.783;		**df** = 3;		**significant**	

Table 5 shows the desire of the entrepreneurs to be independent through business profession. 69.6 per cent entrepreneurs agree with this statement. Nativity-wise information further reveals that entrepreneurs coming from urban areas agree with this statement more than entrepreneurs coming from rural areas. 81.2 per cent entrepreneurs coming from urban areas agree with this statement, whereas this ratio is 44.3 per cent in case of entrepreneurs coming from rural areas. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

Table 6 : Nativity -wise motive of entrepreneurs to clear debts

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	9(11.4)	13(16.5)	25(31.6)	19(24.1)	13(16.5)
Urban	12(7.0)	22(12.9)	55(32.2)	44(25.7)	38 (22.2)
Total	21(8.4)	35(14.0)	80(32.0)	63(25.2)	51(20.4)
Chi-Square = 2.675;		**df** = 4;		**insignificant**	

Table 6 shows the motive of the entrepreneurs to clear debts taken from outsiders through business profession. Nativity-wise information further reveals that entrepreneurs coming from rural areas agree with this statement more than entrepreneurs coming from urban areas. 27.9 per cent entrepreneurs coming from rural areas agree with this statement, whereas 19.9 per cent entrepreneurs coming from urban areas agree with this statement. The value of chi-square is found to be statistically insignificant. It shows that these two variables are independent.

Table 7 : Nativity -wise motive of entrepreneurs to have own work style and lifestyle

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	17(21.5)	24(30.4)	24(30.4)	10(12.7)	4(5.1)
Urban	54(31.6)	60(35.1)	48(28.1)	9(5.3)	-
Total	71(28.4)	84(33.6)	72(28.8)	19(7.6)	4(1.6)
Chi-Square = 14.929;		**df** = 4;		**significant**	

Table 7 shows the desire of the entrepreneurs to have their own work style and lifestyle through business profession. 62 per cent entrepreneurs agree with this statement. Nativity-wise information further reveals that entrepreneurs hailing from urban areas agree with this statement relatively more than entrepreneurs coming from rural areas. 66.7 per cent entrepreneurs coming from urban areas agree with this statement, whereas this ratio is 51.9 per cent in case of entrepreneurs coming from rural areas. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

Table 8 : Nativity -wise motive of entrepreneurs to earn respect of people

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	27(34.2)	26(32.9)	18(22.8)	6(7.6)	2(2.5)
Urban	66(38.6)	73(42.7)	24(14.0)	6(3.5)	2(1.2)
Total	93(37.2)	99(39.6)	42(16.8)	12(4.8)	4(1.6)
Chi-Square = 6.557;		**df** = 4;		**insignificant**	

Table 8 shows the motive of the entrepreneurs to earn the respect of people through business profession. 76.8 per cent entrepreneurs agree with this statement. Nativity-wise information further reveals that entrepreneurs belonging to urban areas agree with this statement relatively more as compared to entrepreneurs belonging to rural areas. 81.3 per cent entrepreneurs in the former case agree with this statement, whereas this ratio is 67.1 per cent in the latter case. It shows that the entrepreneurs are much desirous to come into business line to earn the respect of people. The value of chi-square is found to be statistically insignificant. It shows that these two variables are independent.

Table 9 : Nativity-wise motive of entrepreneurs to get over monotony and experience change

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	2(2.5)	2(2.5)	37(46.8)	10(12.7)	28(35.4)
Urban	27(15.8)	24(14.0)	26(15.2)	31(18.1)	63(36.8)
Total	29(11.6)	26(10.4)	63(25.2)	41(16.4)	91(36.4)
Chi-Square = 37.532;		**df** = 4;		**significant**	

Table 9 shows the desire of the entrepreneurs to get over monotony and experience change by entering into

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business profession. Nativity-wise information further shows that entrepreneurs hailing from urban areas agree with this statement relatively more as compared to entrepreneurs hailing from rural areas. 29.8 per cent entrepreneurs coming from urban areas agree with this statement. On the other hand, 5 per cent entrepreneurs coming from rural areas agree with this statement. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

Table 10 : Nativity -wise motive of entrepreneurs to utilise loans and concessions from government and other agencies

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	5(6.3)	3(3.8)	29(36.7)	17(21.5)	25(31.6)
Urban	5(2.9)	8(4.7)	51(29.8)	32(18.7)	75(43.9)
Total	10(4.0)	11(4.4)	80(32.0)	49(19.6)	100(40.0)
Chi-Square = 4.694;		**df** = 4;		**insignificant**	

Table 10 shows the desire of the entrepreneurs to utilise the loans and concessions from the government and other agencies to enter into business profession. Only 8.4 per cent entrepreneurs agree with this statement. It shows that it does not work as a motive for entrepreneurs to start a business. Nativity-wise information further reveals that less than 10.1 per cent entrepreneurs belonging to urban and rural areas agree with this statement. It may also be due to low level of awareness among the entrepreneurs of small scale sector. The value of chi-square is found to be statistically insignificant. It shows that these two variables are independent.

Table 11 : Nativity -wise motive of entrepreneurs to compete with others and prove to be best

Nativity	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree
Rural	8(10.1)	6(7.6)	35(44.3)	5(6.3)	25(31.6)
Urban	37(21.6)	41(24.0)	51(29.8)	30(17.5)	12(7.0)
Total	45(18.0)	47(18.8)	86(34.4)	35(14.0)	37(14.8)
Chi-Square = 41.984;		**df** = 4;		**significant**	

Table 11 reveals the motive of the entrepreneurs to compete with others and prove to be the best by entering into business profession. Nativity-wise information further shows that entrepreneurs coming from urban areas agree with this statement relatively more than entrepreneurs coming from rural areas. 45.6 per cent entrepreneurs coming from urban areas agree with this statement, whereas this ratio is 17.7 per cent in case of entrepreneurs coming from rural areas. The value of chi-square is found to be statistically significant. It shows that there exists significant difference between these two variables.

CONCLUSION

The foregoing analysis reveals that motives of entrepreneurs hailing from rural and urban area differ considerably. Entrepreneurs coming from urban areas have more desire to be the employers as compared to their counterparts from rural areas. Similarly, entrepreneurs coming from urban areas want to get maximum returns from their calibre. The entrepreneurs hailing from rural and urban areas want to earn maximum wealth from this profession. The entrepreneurs hailing from urban areas have more desire to be independent. To repay old debt is the main motive of entrepreneurs from rural areas. Overwhelming proportion of entrepreneurs coming from rural and urban areas want to have their own work style and life style. The entrepreneurs hailing from rural and urban areas want to earn respect of people by adopting this profession. To get financial and other type of assissitance from government agencies is no longer the main motive of entrepreneurs of the majority of entrepreneurs coming from rural and urban areas. Training institutes should design their motivation programs keeping in view the interest of the entrepreneurs. More emphasis be laid on innovational aspect relating to business. Innovations will make their businesses different from the traditional businesses.

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INTEGRATION OF CAPITAL MARKETS IN SAARC REGION: AN EMPIRICAL STUDY

Abstract

Today, in the era of globalization, the subject matter of integration of financial markets holds a special place. Liberalization of market economies and removal of restrictions on the trading of financial assets has promoted capital market integration in the present time. Such integration have been perceived to bring about a better mode of development in saving, investment and asset pricing. Thus, this paper is an attempt to examine the dynamics of integration among the capital markets of members of the South Asian Association for Regional Cooperation. Results show considerable divergence between the capital market development of SAARC nations, and thus, indicate low degree of linkages among them. Hence, the policy makers should devote considerable efforts to bring harmony among SAARC nations capital markets by identifying barriers to greater integration.

Key words : *Capital Market, Financial Integration, SAARC, Cointegration*

Introduction

In the past three decades, the globalization of nations has increased the mutual interdependency among themselves not only in terms of merchandise transactions, but also in terms of international capital mobility. Such globalization of capital markets has encouraged moves towards regional harmony and integration. An integrated regional capital market describes a situation in which there are no obstacles to the movement of capital or the provision of capital market services. More specifically, an investor in one country can invest in another country in the region, an issuer from one country can raise capital in another country in the region, and suppliers of investment services can operate throughout the region. Integrated capital markets encourage competition, enhance innovation, attract wider participants, and provide deeper liquidity and financial stability. All of these benefits reduce the overall cost of capital and investment, and improves the risk-return choices for investors. Capital market integration is an important means of promoting domestic savings, investment and hence, the real economic growth.

It is with this backdrop, this empirical study is an attempt to examine the degree and dynamics of integration among the capital markets of members of the South Asian Association for Regional Cooperation (SAARC). The member nations of SAARC are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. SAARC is not well developed as an economic region, and also has varied structure and functioning of capital markets.

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In Afghanistan, there exists no stock market till date. In Bangladesh, there exists two stock exchanges - Dhaka Stock Exchange and Chittagong Stock Exchange, but the development of these is not upto the mark till recently which impairs the degree of integration with other markets in the region and in the globe. In Bhutan, the development of capital market has been modest in recent days. The introduction of an integrated, online trading system at the stock exchange has facilitated trading and the dissemination of information to the general public and investors, but trading volume is low and the exchange is highly illiquid. The capital market development in Maldives is in infancy. The stock exchange - Maldives Stock Exchange - came into existence only a decade ago. Premature regulations, low number of listings, and small size of market capitalization has made it less integrated with other capital markets of the region. The Nepal Stock Exchange Limited has low degree of liquidity and small size of market capitalization which actually makes it underdeveloped and thus, it has low degree of co-movements with other capital markets of the SAARC region. The Colombo Stock Exchange is the main stock exchange in Sri Lanka. It is one of the exchanges in South Asia, providing a fully automated trading platform. It is thus, relatively developed and carries good interdependency with other capital markets in the region. The capital markets of India and Pakistan are outperformers in the SAARC area. Participation of foreign investment is the main reason behind the better performance of these markets. Better returns on Indian and Pakistani stocks have also attracted the foreigners as well as the domestic players. The favorable regulatory and trading platforms in these markets have witnessed outstanding performance, touching historic levels in terms of value and volume.

All these have had a significant effect on relative capital market development and integration in the SAARC region. There is a limited interest among SAARC countries in the SAARC region as an investment destination because the interest in investing abroad is usually directed towards traditional investment destinations such as Europe, Hong Kong, China, India, Singapore, and the U.S. This reflects the low interregional trade flows, and the underdeveloped state of many of the markets. Further, there are barriers to movement of citizens between SAARC countries which also restricts the intra-regional capital mobility. Thus, there is limited intra-SAARC contact and interaction in the area of capital markets.

Aftab Ahmed Ch, managing director of the Lahore Stock Exchange in 2013, while emphasizing on the need to increase cross boarder financial activities within SAARC region, pointed out that intraregional financial integration appears to lag behind in SAARC region due to asymmetric developments in the economic and financial sectors in member countries.

Literature Review

International equity market integration has been the subject of considerable empirical investigation because expected returns and variances are required to construct optimal risk and return portfolios, investors, portfolio managers, and financial market regulators can benefit from new insights into the co-movements among international equity markets. Capital market integration provides the opportunity for better diversification as

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investors shift to higher risk and expected return projects because they are able to diversify their overall risk (Obtsfeld 1994). Generally financial integration ensures the law of one price to financial assets with the same risk (Adam *et al.*, 2002). Thus, in perfectly integrated markets, all assets with identical risk exposure also command identical expected returns (Campbell and Hamao, 1992). So, a high degree of integration between national markets minimizes the potential benefits from international diversification (Bessler and Yang, 2003).

Korajczyk (1995) investigated the issue of capital market integration in 24 countries (4 developed and 20 emerging) using multifactor equilibrium Arbitrage Pricing Theory and found that the measure of market segmentation tends to be much larger for emerging markets than for developed markets, which is consistent with large barriers to capital flows into or out of the emerging markets. The measure tends to decrease over time, which is consistent with growing levels of integration. Elyasiani *et al.* (1998) investigated the interdependence and dynamic linkages between the emerging capital markets of Sri Lanka with the markets of its major trading partners and found no significant interdependence between the Sri Lankan market and the equity market of the US and other Asian countries.

Nath and Verma (2003) examined the interdependence of the three major stock markets in Asia (India, Singapore, and Taiwan) using daily stock market data from January 1994 to November 2002. By employing Bivariate and multivariate co-integration models, the paper found no co-integration for the entire period and concluded that there is no long run equilibrium. Chuang *et al.* (2007) investigated the volatility interdependence in six East Asian markets. Though the VAR results revealed a strong interdependence among the conditional variance of different markets, the Japanese market is found to be most influential in transmitting volatility to the other East Asian markets.

Bhar and Nikolova (2009) explored the level of cointegration of the BRIC with their respective regions and the world in the post-liberalization period, and found that India has the highest level of integration on a regional and world level amongst the BRIC countries followed by Brazil, Russia, and lastly China. The study also suggested the existence of diversification opportunities for China, given its closed nature of the financial system. Chittedi (2009) examined the integration of the stock markets among the BRIC economies and their integration with the developed countries' stock markets such as the US, UK, and Japan using Johansen's cointegration, Granger's causality test and Error Correction Mechanism/Model (ECM). It was found that there is cointegration between BRIC countries and developed countries, namely, the USA, UK, and Japan. The results of ECM revealed that the SENSEX, NIKKEI, FTSE and BOVESPA are significant. It implies that these markets share the forces of short-run adjustment to long-run equilibrium.

Sharma *et al.* (2013) studied the inter-linkages between Brazil, Russia, India, China, and South Africa (BRICS) stock markets with the help of benchmark indices of these stock exchanges. The study revealed that the BRICS stock markets were influenced by each other, but not to a great extent. It implies that there exists opportunities for diversification of the investors among the stock exchanges of BRICS. It was also observed that there are domestic factors (macroeconomic variables) that influence the stock markets. Dasgupta (2014) investigated the integration and dynamic linkages of Indian stock market with BRIC stock markets for the period 2003 to 2012 and found that there exist long-run relationships and also short-run bidirectional Granger relationship in between the Indian and Brazilian stock markets. Also, the Chinese stock market Granger causes the Brazilian stock market which in turn has a causal effect on the Russian stock market. Based on the above results, it is found that the Indian stock market has strong impact on Brazilian and Russian stock markets. The interdependencies (mainly on India and China) and dynamic linkages are also evident in the BRIC stock markets. Overall, this study has found that BRIC stock markets are the most favourable destination for global investors in the coming future and among the BRIC the Indian stock market has the dominance.

Prakash and Kumar (2014) examined the linkages among emerging stock markets belonging to the SAARC region and the Global economy. The results point to the existence of inter-linkages among all the markets as well as with the global economy in the short- and long-run. However, Awokuse *et al.* (2009) pointed out that although empirical evidence from previous studies, using conventional linear cointegration models has shown stock market integration in some regions, the existing empirical evidence remains inconclusive and there are conflicting results regarding the nature of dynamic interdependence between developed and/or emerging markets. So, it is revealed that the past studies provide the evidence of inconsistency in the results regarding the degree of interdependence and integration between capital markets. Thus, a reconsideration of the issue is warranted. Additionally, it is required to empirically assess the integration of SAARC capital markets that has accelerated since the Asian economic crisis in the late 1990s, with a diminution of government-imposed barriers to capital flow across countries. Furthermore, the recent global financial crisis of 2008-09 also focused more attention on the linkages among the stock markets of SAARC region. In an attempt to make a contribution to this important issue, the present study addresses the problem of linkages between the capital markets of select SAARC countries - India, Pakistan, Bangladesh, Sri Lanka, and Maldives. Specifically, this paper evaluates the short-run and long-run interdependence of SAARC capital markets in a perspective of time-series analysis.

Data and Methodology

The main objective of this study is to empirically investigate the dynamics of equity market integration in the SAARC region over the sample period 2002: Q1 to 2014: Q3. On the basis of availability of time series data, and for easy comparability, five emerging market nations - India, Pakistan, Bangladesh, Maldives and Sri Lanka, have been taken up for this empirical study. The stock market indices have been used as the proxy for the equity markets. These general stock price indices for the five emerging markets have been collected from International Financial Statistics database provided by International Monetary Fund (IMF). These time series data are quarterly stock price indices for the sample stated sample period. Using this data, the log return was calculated for each of the indices by using the following formula: $r_t = \ln\left(\frac{pt}{pt-1}\right) \times 100$, where r_t is the log return for the time period t, p_t is the stock price index for the time period t, and p_{t-1} is the stock price index for the time period t-1.

In this study, emphasis has been given to test the intra-region linkages among the SAARC region capital markets using the following approaches: descriptive statistics, correlation analysis, cointegration analysis and Granger Causality analysis. The Descriptive Statistics like Average, Standard Deviation, Skewness and Kurtosis have been used to examine the basic properties of time series data. The graphical presentations of data have also been made to observe the trend pattern and possible co-movement of stock market returns. Pearson's Correlation analysis has been applied to find the degree of association among the select equity markets. The testing of stationarity has been accomplished by using Augmented Dickey-Fuller (ADF) unit roots test. If the null hypothesis is rejected, then there exists no unit root (time series is stationary); but if null accepted, then there exists unit root (time series is non-stationary). When time series are non-stationary, the relationship between variables can be estimated through OLS method of regression; but when time series are stationary, this method becomes redundant, and the relationship between variables is estimated through cointegration, i.e., the long-run equilibrium relationship between variables. In this study, Johansen's method of cointegration has been used. The existence of co-integrating relationship points to the presence of common trends among the equity markets. In the last step, the paired causality test of Granger model has been used to explore the course of the short-run influence of one equity market on another.

Analysis and Discussion of Results

In accordance with the objective of the study, the results of the descriptive statistics over the sample period are presented in Table-1. It is clear that the standard deviation of returns based on general share price index of Maldives is highest, and that of India is the lowest. Thus, the equity market of Maldives shows greatest volatility and that of India reveals smallest volatility. The values of Skewness and Kurtosis infer that the distributions of returns based general share price indices are not normal. Now, it is essential to know the degree of linkages among the capital markets under consideration. The results of Pearson's correlation coefficient are presented in Table-2.

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The degree of correlation between returns based on general share price indices of India and Bangladesh, India and Pakistan, India and Sri Lanka, Pakistan and Bangladesh, Maldives and Bangladesh, Sri Lanka and Bangladesh, Maldives and Pakistan, Sri Lanka and Pakistan are positive but relatively weak. The degree of association between returns based on general share price indices of India and Maldives, Sri Lanka and Maldives are negative. The positive correlation indicates that the equity markets of SAARC region are interdependent to certain extent, but this interdependency is very feeble.

The TS plot over 2002:Q1 to 2014:Q3 as in Figure-1 indicates a discernible co-movement of the capital markets of India, Pakistan, and Sri Lanka. Such a co-movement infers the presence of some kind of interdependency between these markets, but further empirical evidence is warranted to establish the hypothesis.

Table 1 : Descriptive Statistics

Statistics	India	Bangladesh	Pakistan	Maldives	Sri Lanka
Mean	4.035	3.664	5.65	0.486	4.941
Median	3.301	2.171	7.518	-1.061	4.066
Std. Dev.	11.082	12.3	11.809	13.816	11.147
Skewness	-0.095	0.176	-0.934	0.781	-0.555
Kurtosis	3.819	2.873	5.037	4.123	4.867
Observations	50	50	50	50	50

Table 2 : Pearson's Correlation matrix

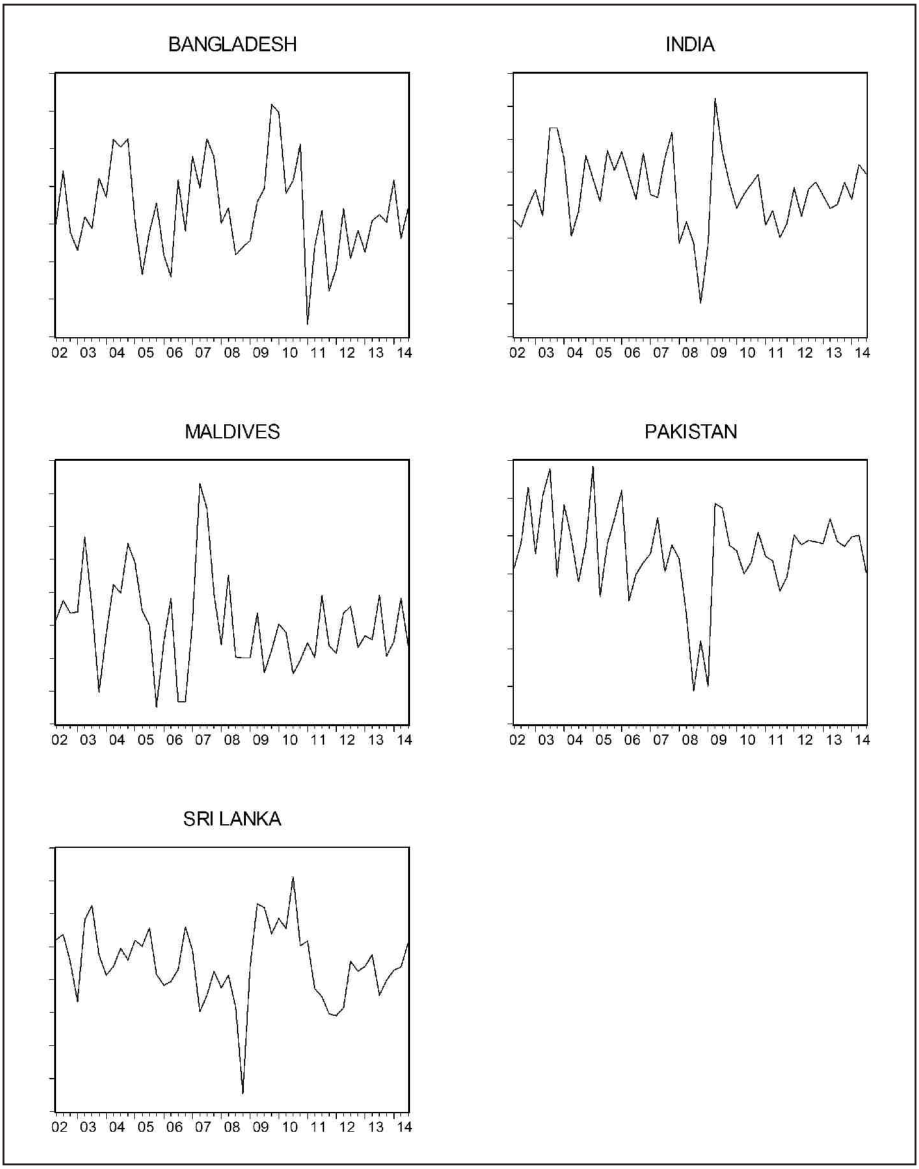
Countries	India	Bangladesh	Pakistan	Maldives	Sri Lanka
India	1	-	-	-	-
Bangladesh	0.200	1	-	-	-
Pakistan	0.530	0.146	1	-	-
Maldives	-0.003	0.185	0.204	1	-
Sri Lanka	0.488	0.294	0.367	-0.079	1

Table 3 : Results of ADF Unit Root Test (Null Hypothesis: Stock Return Series has unit root, i.e., is non-stationary)

ADF test with Constant and Linear Trend at Level	India	Bangladesh	Pakistan	Maldives	Sri Lanka
ADF test statistic	-4.892	-4.802	-5.075	-4.840	-4.033
p-value	0.0013	0.0016	0.0007	0.0015	0.138
Test critical value at 1%	-4.156734	-4.156734	-4.156734	-4.156734	-4.156734
Test critical value at 5%	-3.504330	-3.504330	-3.504330	-3.504330	-3.504330
Test critical value at 10%	-3.181826	-3.181826	-3.181826	-3.181826	-3.181826

The correlation, however, does not mean any cointegration and causality between the equity markets of SAARC region. So, equity market integration in the SAARC region needs to be investigated in terms of their long-term co-movements. But the long-term cointegration test requires all the time series to be stationary. In order to test the stationarity of time series under consideration, the Augmented Dikey-Fuller Unit Root test has been used, and the results are summarized in Table-3.

Figure 1 : TS Plot of General Share Price Indices



The null hypothesis states that the returns have a unit root, whereas the alternative hypothesis states that they do not have a unit root. The results presented in Table-3 clearly indicates that the null hypotheses are rejected implying thereby that all the time series are stationary at the level form of the data sets. The series are, therefore integrated of order zero, i.e., I(0). The presence of stationarity in the time series allows for the analysis of the variables for long-run equilibrium relationships among them, that is, the long-run equilibrium relationships

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among the equity market returns of the respective nations in the SAARC region. The results of Johansen's cointegration test are presented in Table-4.

Table 4 : Results of Cointegration Test

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5% Critical Value	p-value	Max-Eigen Statistic	5% Critical Value	p-value
None *	0.640945	115.5859	88.80380	0.0002	47.11688	38.33101	0.0039
At most 1 *	0.503508	68.46898	63.87610	0.0195	32.20864	32.11832	0.0487
At most 2	0.370241	36.26034	42.91525	0.1969	21.27122	25.82321	0.1783
At most 3	0.193349	14.98913	25.87211	0.5754	9.883762	19.38704	0.6313
At most 4	0.105049	5.105364	12.51798	0.5813	5.105364	12.51798	0.5813

Maximum eigenvalue and Trace statistics show two equations of cointegration at the 5% level* at the 5% level rejection of the hypothesis indicated

Table-5: Results of Pair-wise Granger Causality Test

Null Hypothesis	F-Statistic	Probability
BANG does not Granger Cause IND	0.08070	0.77763
IND does not Granger Cause BANG	1.67069	0.20262
PAK does not Granger Cause IND	0.16593	0.68564
IND does not Granger Cause PAK	4.15029	0.04740
MAL does not Granger Cause IND	1.33209	0.25440
IND does not Granger Cause MAL	1.13718	0.29182
SL does not Granger Cause IND	2.59179	0.11426
IND does not Granger Cause SL	0.03680	0.84871
PAK does not Granger Cause BANG	0.00091	0.97602
BANG does not Granger Cause PAK	0.78405	0.38051
MAL does not Granger Cause BANG	0.00011	0.99152
BANG does not Granger Cause MAL	2.52961	0.11858
SL does not Granger Cause BANG	3.21434	0.07957
BANG does not Granger Cause SL	1.21385	0.27630
MAL does not Granger Cause PAK	0.11323	0.73803
PAK does not Granger Cause MAL	0.22241	0.63944
SL does not Granger Cause PAK	5.59288	0.02231
PAK does not Granger Cause SL	0.01268	0.91082
SL does not Granger Cause MAL	1.21361	0.27635
MAL does not Granger Cause SL	0.19065	0.66442

The maximum eigenvalue and trace statistics brings out two cointegrating equations explaining the long-run association between the variables under study. This means that the capital markets of the SAARC region are moving together in the long-run which may indicate the fact that financial assets allocation across the markets may not provide enough opportunities of portfolio diversification. Once the existence of co-movement of share price indices in select capital markets is identified, there is a need to know their direction of movement in the short-run. So, the pair-wise causality test using the Granger model has been applied and the outcomes are reported in Table-5.

It is inferred that no causal relationship exists between all the capital markets except between India and Pakistan, Sri Lanka and Bangladesh, and Sri Lanka and Pakistan. The general share price index of India influences that of Pakistan; Sri Lanka influences Bangladesh and also influences Pakistan. Thus, it can be said that the co-movement of capital markets in the SAARC region is not significant. So, the planners, policy makers and the regulators have to play a vital role in influencing the financial markets such that greater degree of capital market may be ensured while fruitfully enjoying its benefits, and ruling out the possible threats.

Conclusion

Especially in the after math of global financial crisis, the degree of integration has increased among emerging Asian stock markets. Researchers opine that stock price movements tend to be correlated with one another across international boundaries, particularly, during market downturns and periods of financial turmoil than during other periods. This is no exception for SAARC countries. It is with this backdrop, an empirical study was taken up for the SAARC region considering India, Pakistan, Bangladesh, Sri Lanka, and Maldives as select emerging market economies over the sample period spanning from 2002:Q1 to 2014:Q3. The primary objective of the study was to observe the short-run and long-run dynamics of capital market integration in this region. It has been found that the capital markets of South Asia are on an emerging continuum. Thus, complete integration has not yet been attained. There remain many miles to go! Maximizing the potential net benefits of capital market integration requires addressing such risks by appropriate policymaking and regulatory supervision. Certain important aspects should be stressed upon by the regulators, planners and policy makers to accelerate capital market integration in the SAARC region. First, the countries included in the study would benefit from further harmonizing market infrastructure, especially systems for processing security transactions, to facilitate cross-border transactions. Second, the regulators and policy makers could strengthen regional surveillance mechanisms to ensure these countries' adherence to the convergence criteria and promote macroeconomic stability across the region. Third, encouraging participation of multilateral financial institutions in the local markets will help these countries, especially relatively less advanced countries in the region, to develop their local markets, overcoming the constraints of their economy size and fiscal positions. Forth, practicing international best practices can bring harmonization of capital market regulations and structures which are essential for markets development and integration. Although exchange control is gradually being relaxed in India and Sri Lanka, it remains a significant barrier to market integration. The central banks should come forward in this direction. Last but not the least is that if harmonization and integration of capital markets goals are to be achieved in the SAARC region, then setting up of an independent capital market body to facilitate for efficient information sharing, relaxing exchange control norms, encouraging to implement international best practices, developing innovative products and drawing up viable and sustainable business models.

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DEPENDENCE OF PROFITABILITY ON WORKING CAPITAL MANAGEMENT AND LIQUIDITY: EVIDENCE FROM AUTOMOBILE INDUSTRY IN INDIA

ABSTRACT

Management of working capital with better efficiency as well as liquidity with utmost care results into better profitability. The present study aims to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of the selected Indian automobile companies. The study concluded that the selected automobile companies under the study had lesser time to realize cash from its customers relative to the time required to pay off the creditors which showed better liquidity position and thus the risk of dependency on external and more expensive sources of capital was reduced and thereby profitability performance was high.

Key words : *liquidity, profitability, working capital management*

Introduction

Working capital management directly affects the profitability and is considered one of the most important parts of financial decision making and thereby affects the risk factor of the firms, and hence results into increase in the value of firms (Smith, 1980). Mismanagement of working capital leads a firm to liquidity crisis by reducing its profitability and creditability, so managing working capital effectively is necessary for going concern of the business and also for its profitability.

The theoretical importance of the working capital management efficiency as well as maintaining liquidity over the profitability ratio is very clear, that the lesser the time a firm needs to realize cash from its customers relative to the time it requires to pay off its creditors; the better it is for its liquidity position and thus reduces the risk of dependency on external and more expensive sources of capital. The present study aims to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of the selected Indian automobile companies. It consisted of two main variables i.e. working capital management efficiency as well as maintaining liquidity as independent variables and profitability as dependent variables. To investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of the selected Indian automobile companies, a linear regression model has been developed.

It is hypothesized for the study that there are no significant effects of working capital management efficiency as well as maintaining liquidity on the profitability of selected automobile companies in India.

This study is organized as follows: the next section following introduction discusses the review of relevant literature. Third section throws light on methodology. The details of the results and analysis of the available data are described in fourth section and the final section presents the main findings, suggestions and conclusion.

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Literature Review

The study by (Khandelwal, 1985) found, in an investigation of the working capital management process and practices among 40 small scale industries in the state of Rajasthan between 1975-76 and 1979-80, revealed that the management of receivables was highly ineffective and disorderly.

The study by (Suk, *et al.*, 1992) found, in a survey among 94 Japanese Companies in USA, that the US firms piled-up their inventories and Japanese firms had higher percentage of receivables to total assets.

The study by (Soenen, 1993) examined negative relationship on US firms between net trade cycle length with return on investment.

The study by (Long *et al*. 1993) liberal credit terms to the customers increase the sales level of the firm, though having a continuous trouble with managing short term financing in the finance department. But extensive use of liberal credit terms to customers reduces the profitability of the firm.

The study by (Moyer *et al.*, 1995) WC consists of a large portion of a firm's total investment in assets, 40 percent in manufacturing and 50% - 60% in retailing and wholesale industries respectively.

The study by (Jose, *et al.*, 1996) also examined significant negative relationship between cash conversion cycle and profitability.

The study by (Shin & Soenen, 1998) investigated a large sample of 58,985 US firms for the period of 20 years i.e.1975-1994 and found that firm's net trade cycle had significant negative relationship with its profitability.

The study by (Deloof, 2003) of 1009 non-financial firms of Belgium showed negative relationship between day's receivables and inventory with gross operating profit. It suggested that managers could enhance profitability by increasing day's payables and shortening day's receivables and inventories.

The study by (Narware, 2004) about relationship of working capital and profitability with the help of accounting ratio and statistical tools found that there is significant relationship exist between profitability and working capital.

The study by (Eljelly, 2004) on a sample of Saudi listed companies revealed a significant negative relation between the cash gap and profitability.

The study by (Lazaridis & Tryfonidis, 2006) investigated a sample of 131 listed firms at Athens and found direct relationship between cash conversion cycle and profitability.

The study by (Shah & Sana, 2006) found a negative relationship between Gross Profit and working capital ratios except average payment period having positive relation with gross profit.

The study by (Padachi, 2006), in an examination of the trends in working capital management and its impact on firm's performance, found that a high investment in inventories and receivables was associated with lower profitability. Further, it showed that inventory days and cash conversion cycle had positive relation with profitability, while account receivables days and account payables days correlated negatively with profitability.

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The study by (Jacob & Jagannathan, 2007) concluded that the Indian auto component manufacturers have made a sustained shift in the value chain. In the 1990s, the Indian auto component market was dominated by supplies to the aftermarket, with only 35 per cent of exports being sourced by Tier 1 OEMs. The Indian auto component manufacturers supply 75 per cent of their exports to Tier 1 OEMs (Original Equipment Manufacturers) and only 25 per cent to the aftermarket.

The study by (Ramachandran & Janakiraman, 2009), in an analysis of the relationship between working capital management efficiency and earnings before interest and tax of the paper industry in India, revealed that cash conversion cycle and inventory days had negative correlation with earnings before interest and tax. While accounts payable days and accounts receivable days related positively with earnings before interest and tax.

The study by (Shinde & Dubey, 2011) revealed that despite economic slowdown, the Indian automobile sector has shown high growth. The economic sustainability and increasing living standards and purchasing powers of the Indian customer's automobile sector has a bright coming future. The Industry is recording increasing growth rate in sales, but still there are loop holes in the automobiles industry and these needs to be considered by the auto mobile industry to overcome.

The study, about analysis of the financial performance of seven monarchs companies of four-wheel segment (i.e., passenger car sector and commercial vehicle sector) of automobile industry for the period of 10 years from 2001-02 to 2010-11. It analyse the financial performance of selected units on the basis of 11 financial variables representing four different parameters viz., profitability, liquidity, managerial efficiency (activity) and leverage (long-term solvency) of the organization, by (Sharma, 2011) found that the management of asset is a matter of great concern for every segment of automobile sector (as decision regarding investment in any asset or reallocating the fund makes a substantial difference to company's profitability). The study of selected pioneer companies for the period from 2001-02 to 2010-11 demonstrates the difference in the financial management of the companies.

The study by (Sambhe, 2012) found that Six Sigma quality management practice exhibits to improve stratum as well elevate internal and external customers' atonement; redesign manufacturing processes in perspective of curtailing or eliminating defects; creating culture of perpetual improvement, but it needs right focus and commitments. To initiate Six Sigma specifically in SMEs, the top management should locate enthusiastic personnel's as team members from their enterprises and get trained at least on Green Belt through external agencies or customer organisation if they acute to support. Then enterprises can think to apply Internal Training Methodology (ITM) for education and training on SS for hierarchical downlink through these trained personnel, since SMEs can't be ready to invest in heavy consultancy cost for massive training.

The study by (Ray, 2012) found that capacity utilization has been improved after the path breaking economic reforms initiated in 1991 at the rate of around 5 percent per annum but capacity grows more rapidly than output growth. In view of identifying several factors that influence capacity utilization, result suggests that coefficient of export-intensity variable, import penetration ratio are negative which indicate that capacity utilization was relatively lower in firms belonging to industry characterized by high export-intensity and import penetration. A positive relationship is found between size and capacity utilization and similarly between market share and capacity utilization.

The study, about correlation between price movement of the shares and the performance of their respective companies, by (Dhole, 2013) found that it is apparent that there are extremely wide day-to-day changes in the price quote on most of the stock exchanges. It is not possible to say whether it is economic or psychological realities which are the major causes of the price fluctuations in the stock markets. This is an important issue, as it brings into account the analyzing the annual performance of companies and the price movements of the shares of that particular companies to the investors.

The study by (Bhattacharya *et al.*, 2014) found that there is also a need for external support to the industry by way of supportive Government regulations and policies and development of infrastructure. The industry needs to focus on development of green technologies such as hybrid vehicles, low emission and fuel efficiency to meet futuristic, stringent norms, cost control throughout the automotive value chain (such as frugal engineering in the development of Tata Nano), enhance investments and efforts in R&D specially in auto component manufacturing sector and build up scale to enhance export.

The study by (Sarangi *et al.*, 2014) was an attempt to understand and analyze the current and future trend in Indian automobile industries. Secondary data collected from website and research publications have been used. Forecasted values have been calculated for the period 2013-14 to 2015-16 using statistical approach. Despite various ups and downs in the past years, their experiments show positive growth in all segments.

The study (Saravanan & Abarna, 2014) by concluded that the liquidity ratios concerned the performance of force motors is better and other companies are to improve their liquidity and turnover for the better performance. A cautious attention has to be paid as far as the liquidity is concerned to improve the profitability.

The study by (Krishnaveni & Vidya, 2015) concluded that Easier and faster mobility of people and goods across the regions, countries and continents is a cherished yearning of mankind. The automobile industry's potential for facilitating this mobility is enormous. Wheels of development across the globe would have to be powered by this industry. However, a seamless development of this industry across countries and continents alone will help in realization of this objective. For such seamless and barrier-free development of the sector, countries will have to come together and develop better understanding. Industry across countries will have to meet challenges of newer technologies, alternative fuels and affordability of automobiles by people at large through constructive cooperation. The industry has recorded phenomenon growth during the last decade. A market trend is growing at a faster rate. The opening of the Indian automobile market for foreign companies the competition is expected to enhance further. The opportunities can be grabbed through the diversification of export basket in untouched foreign destinations. Thus strict quality standards, services and use of latest technology can provide an edge over competitors across the globe.

From the above review of empirical works, it is clear that different authors have approached working capital management and profitability performance in different ways in varying levels of analysis. These different approaches helped in the emergence of more and more literature on the subject over a period of time. It gives an idea on extensive and diverse works on role of working capital management on profitability performance. It has been noticed that the studies on working capital management and profitability performance in various aspects provide divergent results relating to the study period overlap or coincide. The main reason for divergence in the results is use of different method for the measurement of relationship between working capital management and profitability performance. All the studies aimed to analyze the working capital management and profitability performance in India & abroad with number of factors. The survey of the existing literature reveals that no specific work has been carried out to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of automobile companies in India. The present study is an attempt in this direction and therefore, aims to enrich the literature of working capital management efficiency as well as maintaining liquidity on the profitability.

Study Methodology

Objective of The Study

The present study aims to investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of the selected Indian automobile companies.

Hypothesis of the Study

With the mixed results provided by prior researches and the dearth of literature in this area, the following hypothesis is stated for the study:

H_0: There are no significant effects of working capital management efficiency as well as maintaining liquidity on the profitability of selected automobile companies in India.

H_1: There are significant effects of working capital management efficiency as well as maintaining liquidity on the profitability of selected automobile companies in India.

Sample and Sampling Techniques

Keeping in view the limitation of time, efforts and cost; it is not possible to study all automobile companies of India. For the purpose of study; sample, using convenient sampling method, representing the major population, of top twelve (12) automobile companies registered in India covering major players from four (4) segments i.e. Commercial vehicles, Passenger vehicles, Two wheelers and Three wheelers has been selected on the basis of performance, position, sales and paid up capital for the period of ten years i.e. (2004-2005 to 2013-14). The selected companies for the study were:

1. Bajaj Auto
2. Hero MotoCorp
3. TVS Motor Company
4. Hindustan Motors
5. Maruti Suzuki India
6. Mahindra & Mahindra
7. Ashok Leyland
8. Tata Motors
9. Eicher Motors
10. Escorts
11. Force Motors
12. HMT

Period of the Study

The study has been undertaken for the period of ten years (2004-2005 to 2013-14).

Methodology

The methodology of this study is to find out the dependency of profitability ratios over many other working capital components and liquidity positions. To cover the liquidity position, few cash position ratios have been considered along with traditional liquidity ratios. And for the purpose of the analysis, regression has been conducted. So the basic model for the study that has been followed is (Lazaridis & Tryfonidis, 2006):

Profitability of the Firm = f(Quick Ratio, Cash Conversion Cycle, Receivables Collection Period, Payable Deferral Period, Inventory Turnover Period, Cash to Current Liability, Cash to Sales)

The dependent variables used for the research are mainly the profitability ratios and debt coverage ratio or Return on Assets, Net Profit Margin and Interest Coverage Ratio respectively. All other variables are considered to disclose the working capital condition or cash position of the firm and are used as independent variable against the earlier said dependent variables.

Table 1 : Proxies and Definition

Variable	Proxies	Definition
Profitability	Return on Assets (ROA)	Net Profit/Total Assets
(Dependent Variables)	Net Profit Margin (NPM)	Net Profit/Sales
	Interest Coverage Ratio (ICR)	EBIT/Interest
Working Capital Management	Quick Ratio (QR)	Quick Assets/Quick Liabilities
(Independent Variables)	Cash Conversion Cycle (CCC)	RCP+PDP-ITP
	Receivables Collection Period (RCP)	360 / (Sales/ Accounts Receivables)
	Payable Deferral Period (PDP)	360 / (COGS/Accounts Payable)
	Inventory Turnover Period (ITP)	360 / (COGS/Inventory)
	Cash to Current Liability (CTCL)	Cash/Current Liability
	Cash to Sales (CTS)	Cash/Sales

To investigate the effects of working capital management efficiency as well as maintaining liquidity on the profitability of the selected Indian automobile companies, a linear regression model was developed as shown below in functional form:

$$y = b_0 + b_1 x_1 + b_2 x_2 + \ldots + b_k x_k \text{ --------- (1)}$$

Where, y - The Dependent Variable,

$x_1, x_2, \ldots, x_k$ - Independent Variables

$b_0, b_1, b_2, \ldots,$ - The Regression Coefficients

$$P = (b_0 + b_1 QR + b_2 CCC + b_3 RCP + b_4 PDP + b_5 ITP + b_6 CTCL + b_7 CTS) \text{ ---------- (2)}$$

Result and Analysis

Table 2 : Descriptive Statistics of Profitability Ratios and Working Capital Ratios

	Mean	Median	Standard Deviation	Standard Error	Confidence Level (95%)
ROA	7.634058	7.175475	8.417611	2.429955	5.34829
NPM	2.919406	3.867773	11.20869	3.235669	7.12166
CCC	76.94006	55.15963	51.50795	14.86906	32.72659
RCP	28.78975	17.63617	33.71937	9.733944	21.42427
PDP	98.08101	83.99471	42.75836	12.34328	27.16737
ITP	49.93069	46.8091	27.22617	7.859518	17.29868
CTCL	0.101464	0.040543	0.140233	0.040482	0.0891
CTS	0.025753	0.012569	0.03199	0.009235	0.020326
QR	1.359326	1.221944	0.797339	0.230172	0.506605

Table 2 gives the descriptive statistics of the collected variables. The mean and median of net profit margin were close to that of ROA, Which meant in most of the years the companies under the study had made efficient utilization of the total asset. The CCC shows that, it takes the firm's around on an average 77 days (Median 55) to realize net cash after the credit sales transaction. They paid their creditors (on an average 98 days) after receiving the sales proceeds. Inventory took on an average 50 days to get sold (median 47 days).

Table 3 : Correlation between Profitability Ratios and Working Capital Ratios

	ROA	NPM	ICR	QR	CCC	ITP	CTCL	CTS
ROA	64.9514							
NPM	65.9010	115.165						
ICR	11941.0	11392.3	673493					
QR	-0.29616	-4.17246	-102.76	0.582				
CCC	-241.411	-407.636	-18926	9.930	2431.97			
ITP	-164.493	-178.16	-26718	4.919	445.147	679.492		
CTCL	0.12606	0.32616	-3.5944	0.007	-3.26677	1.06013	0.01802	
CTS	0.000126	0.022415	-2.0852	0.004379	-0.55543	0.355748	0.004039	0.000938

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From Table 3, it is seen that the return on asset, net profit margin and interest coverage ratio all have negatively been correlated with the cash conversion cycle, which indicates that the companies under the study delayed their payment towards their suppliers-creditors (on an average 98 days) as well as accelerated their receivables (on an average 29 days) which is also reflected in Table 2. It is also seen that the return on asset, net profit margin and interest coverage ratio all have negatively been correlated with the inventory turnover period, which indicates that the companies under the study had shorter period between production and sale of products. It is revealed that the return on asset, net profit margin and interest coverage ratio all have negatively been correlated with the quick ratio, which indicates that the companies under the study had good liquidity which played a very significant role in or had a strong influence on the profitability among the selected automobiles companies in India. It is also divulged that cash to sales and cash to current liability both had negative correlation with interest coverage ratio which indicates that the companies under the study could not purchase raw materials from suppliers with better prices and also not avail benefit in many other bargaining. However, the returns on asset and net profit margin have positively been correlated with the interest coverage ratio and hence it would be possible to make effective purchases of raw materials through reduction in finance cost.

Table 4 : Model Summary

R	R Square	Adjusted R Square	Std Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
0.926481	0.858367	0.74034	4.289348	0.858367	7.27262	5	6	0.01576

ANOVA

	Df	SS	MS	F	Significance F
Regression	5	669.0269	133.8054	7.27262	0.01576*
Residual	6	110.3911	18.39851		
Total	**11**	**779.4179**			

Coefficients

	Coefficients	Standard Error	tStat	P-value
Constant	28.05966	7.08169	3.962283	0.007432
QR	-0.38483	2.528289	-0.15221	0.88401
CCC	-0.07366	0.04173	-1.76505	0.127997
ITP	-0.37094	0.108261	-3.42635	0.014034
CTCL	-184.607	139.6289	-1.32212	0.234293
CTS	893.7394	632.144	1.413823	0.207141

Predictors: (Constant),QR, CCC, ITP, CTCL, CTS; Dependent Variable: ROA
**** at the confidence level of 95%***

The result of coefficient of determination as reflected in Table 4 indicates that 0.85 of the variation noticed in profitability (ROA) can be explained by the independent variables. This means that about 15% of variations in ROA noticed among the selected automobiles companies are accounted for by other factors not captured by the model. Similarly, the result on the Goodness of Fit test also complements the coefficient of determination result which indicates clearly that the value of the dependent variable can be explained or predicted by about 85% of the independent variables. However, the F-test result as presented in Table 4 indicates clearly that the model as specified explains the variations in the level of profitability (ROA). It in essence shows simultaneously that the independent variables altogether are associated with the dependent variable. As significance F is less than 0.05 at 5 % significant level, there is significant relationship between ROA and independent variables. Hence, null hypothesis is rejected and alternate hypothesis is accepted. Consequently, a quick review of the regression analysis as depicted in Table 4 reveals that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTCL) and the profitability (ROA) and hence changes in QR, CCC, ITP and CTCL would result into decrease in Profitability of the selected automobile players. It is also revealed that a significant positive relationship existed between the working capital management (CTS) and the profitability (ROA) and hence change in CTS would have positive impact on ROA of the selected automobile players.

Table 5 : Model Summary

R	R Square	Adjusted R Square	Std Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
0.9086	0.8257	0.68048	6.335781	0.825719	5.685443	5	6	0.028171
				ANOVA				
			Df	SS	MS	F		Significance F
Regression			5	1141.129	228.2257	5.685443		0.028171*
Residual			6	240.8527	40.14212			
Total			**11**	**1381.981**				

Coefficients

	Coefficients	Standard Error	tStat	P-value
Constant	23.64492	10.46034	2.260436	0.06451
QR	-3.90131	3.734526	-1.04466	0.33643
CCC	-0.09791	0.061639	-1.58849	0.163274
ITP	-0.18058	0.159912	-1.12926	0.301906
CTCL	24.17145	206.2454	0.117198	0.910528
CTS	-51.4467	933.7376	-0.0551	0.95785

Predictors: (Constant),QR, CCC, ITP, CTCL, CTS; Dependent Variable: NPM
**** at the confidence level of 95%***

The result of coefficient of determination as reflected in Table 5 indicates that 0.82 of the variation noticed in profitability (NPM) can be explained by the working capital management and liquidity i.e. independent variables. This means that about 18% of variations in NPM noticed among the selected automobiles companies are accounted for by other factors not captured by the model. Similarly, the result on the Goodness of Fit test also complements the coefficient of determination result which indicates clearly that the value of the dependent variable can be explained or predicted by about 82% of the independent variables. However, the F-test result as presented in Table 5 indicates clearly that the model as specified explains the variations in the level of profitability (NPM). It in essence shows simultaneously that the independent variables altogether are

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associated with the dependent variable. As significance F is less than 0.05 at 5 % significant level, there is significant relationship between NPM and independent variables. Hence, null hypothesis is rejected and alternate hypothesis is accepted. Consequently, a quick review of the regression analysis as depicted in Table 5 reveals that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTS) and the profitability (NPM) and hence changes in QR, CCC, ITP and CTS would result into decrease in Profitability of the selected automobile players. It is also revealed that a significant positive relationship existed between the working capital management (CTCL) and the profitability (NPM) and hence change in CTCL would have positive impact on NPM of the selected automobile players.

Table 6 : Model Summary

R	R Square	Adjusted R Square	Std Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
0.774769	0.600267	0.267157	2320.419	0.600267	1.802007	5	6	0.246701

ANOVA

	Df	SS	MS	F	Significance F
Regression	5	48513139	9702628	1.802007	0.246701*
Residual	6	32306064	5384344		
Total	**11**	**80819203**			

Coefficients

	Coefficients	Standard Error	tStat	P-value
Constant	10803.33	3830.998	2.819979	0.030355
QR	-2414.71	1367.734	-1.76548	0.127922
CCC	-19.2995	22.57462	-0.85492	0.425409
ITP	-170.617	58.56618	-2.91323	0.026867
CTCL	-185648	75535.4	-2.45776	0.049269
CTS	861557	341972.4	2.519376	0.045325

Predictors: (Constant),QR, CCC, ITP, CTCL, CTS; Dependent Variable: ICR
**** at the confidence level of 95%***

The result of coefficient of determination as reflected in Table 6 indicates that 0.60 of the variation noticed in profitability (ICR) can be explained by the working capital management and liquidity i.e. independent variables. This means that about 40% of variations in ICR noticed among the selected automobiles companies are accounted for by other factors not captured by the model. Similarly, the result on the Goodness of Fit test also complements the coefficient of determination result which indicates clearly that the value of the dependent variable can be explained or predicted by about 60% of the independent variables. However, the F-test result as presented in Table 6 indicates clearly that the model as specified explains the variations in the level of profitability (ICR). It in essence shows that the independent variables altogether are associated with the dependent variable. As significance F is more than 0.05 at 5 % significant level, there is insignificant relationship between ICR and independent variables. Hence, null hypothesis is accepted and alternate hypothesis is rejected. Consequently, a quick review of the regression analysis as depicted in Table 6 reveals that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTCL) and the profitability (ICR) and hence changes in QR, CCC, ITP and CTCL would result into decrease in Profitability (ICR) of the selected automobile players. It is also revealed that a significant positive relationship existed between the working capital management (CTS) and the profitability (ICR) and hence change in CTS would have positive impact on ICR of the selected automobile players.

Findings, Suggestions and Conclusion

The study found that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTCL) and the profitability (ROA), while a significant positive relationship existed between the working capital management (CTS) and the profitability (ROA). It was also found that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTS) and the profitability (NPM), while a significant positive relationship existed between the working capital management (CTCL) and the profitability (NPM). It was also found that significant negative relationship existed between the working capital management and liquidity (QR, CCC, ITP and CTCL) and the profitability (ICR), while a significant positive relationship existed between the working capital management (CTS) and the profitability (ICR). From the coefficient of determination result, it was seen that the value of the dependent variable (ROA) can be explained or predicted by about 85% of the independent variables, while 82% in case of NPM and the least i.e. 60% in case of ICR.

It is suggested that sales should be forecast and enough cash should be held as according to the projected sales level, so that advantage of the bargaining position while making purchases can be availed and cost can be reduced. It is also suggested that if working capital is managed with better efficiency and cash position is focused with utmost care, there would be better profitability. It is also suggested that if the inventory turnover would be handled efficiently, a significant positive impact on profitability can be produced. It is suggested that the companies should take steps to improve ITR through efficient control over material cost and implementation of intensive marketing strategies to increase market share as well as to compete with MNEs in local market and international market too. As the reason for low liquidity ratios was dominance of short-term debts in total debts, it is suggested that if Short-Term Debt can be managed effectively, profitability may further be improved.

It is concluded that changes in QR, CCC, ITP and CTCL would result into decrease in Profitability, while change in CTS would have positive impact on ROA of the selected automobile players. It can be concluded that changes in QR, CCC, ITP and CTS would result into decrease in Profitability (NPM), while change in CTCL would have positive impact on NPM of the selected automobile players. It is concluded that changes in QR, CCC, ITP and CTCL would result into decrease in Profitability (ICR), while change in CTS would have positive impact on ICR of the selected automobile players. It can also be concluded that about 15% of variations in ROA, 18% of variations in NPM and 40% of variations in ICR noticed among the selected companies were accounted for by other factors not captured by the model. As the selected automobile companies under the study had lesser time to realize cash from its customers relative to the time required to pay off the creditors, it can be concluded that liquidity position was better and thus the risk of dependency on external and more expensive sources of capital was reduced.

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FINANCIAL INCLUSION IN INDIA MEANING, PROGRESS AND ITS IMPACT ON MARKETING OF FINANCIAL PRODUCTS

Abstract

Financial Inclusion may be defined as a tool that aims at engaging all the segments of the society in an equitable manner in order to achieve inclusive growth, which can only be achieved by establishing a systematic mechanism with all the resources aligned in an optimal manner, from top to bottom. It intends to provide financial help to the economically weaker section of the society, in order to enhance their standard of living. Financial inclusion is a globally acclaimed conception which focuses to inculcate and promote the banking habits among the rural people because; India is a country with significantly large rural population. Financial inclusion anticipates providing banking and financial services to all segments of society and vulnerable groups in particular; in a transparent and fair manner; and that too at an affordable cost by the mainstream institutional players. It is often found that the households with low income often lack access to bank account and have to spend a considerable time and money for visits to avail even the most basic banking services, such as opening a savings bank account or availing a loan. As a result, these families find it challenging to save and to plan financially for their future. India, where the Reserve Bank of India acts as an expediter in establishing, regulating and monitoring the financial services provided to the people by the banking sector, is also substantially improving its efforts to attain the goal of financial inclusion. The objective of the paper is to examine the current scenario of financial inclusion in India and highlight major challenges and bring about suggestions to improve its growth in the days to come along with studying its impact on the marketing of financial products.

Keywords : *Financial Inclusion, Financial services, Inclusive Growth, Reserve Bank.*

Introduction

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

- Franklin D. Roosevelt

Financial inclusion is a contemporary notion which aids to attain the sustainable development, by means of available financial services to the unreached population with the support of financial institutions. In other words, financial inclusion involves convenient access to formal financial systems and their utilization by all the members of the corresponding economy. The committee formed by the Indian government on financial inclusion, explains financial inclusion as the process of ensuring timely access to financial services and

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adequate credit where needed by impecunious and vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee, 2008). This process of financial inclusion involves ensuring bank accounts to each family and subscribing their inclusion in the banking system of the country. Stretch and contact to financial services encourages social inclusion, assures financial empowerment and constructs self-confidence. Former Deputy Governor of Reserve Bank of India, Dr. K. C. Chakrabarty once stated that financial inclusion is no longer a policy choice but it is a policy compulsion today and banking is a key driver for inclusive growth.

There are several socio-cultural and economic concerns that obstruct the tremendous growth and development of financial inclusion. There are many arduous challenges in attaining complete financial inclusion such as the lack of awareness, high rate of illiteracy, poor penetration of banks, reluctance of banks to do financial inclusion and high costs involved in financial inclusion etc. Although, former deputy governor of RBI Dr. K. C. Chakrabarty has clarified that neither the cost involved in financial inclusion is unbearable by the banks nor the banks are unwilling to do financial inclusion. He clearly expressed that both of the above mentioned facts as a myth.

Financial Inclusion is considered to be the primary objective of several developing nations since many research findings establish and explicitly expose a direct relationship between the financial exclusion and the poverty that prevails in the developing nations. According to World Bank report "Financial inclusion, or broad access to financial services, is defined as an absence of price or non price barriers in the use of financial services". The degree of financial inclusion varies from nation to nation depending on the stage of development prevailing in the country. A fact that is really worth pondering upon is that India is globally ranked second in terms of financially excluded households just after china. The fact itself reflects the existing situation with respect to financial inclusion in India. Usually, the disadvantaged and the vulnerable classes of the society are completely overlooked by the financial institutions in the blind race of increasing the bottom line. It is also sometimes said that the complexities involved in providing finance to the weaker section, act as a supporting reason for financial exclusion. Uninhibited reach to public goods and services is the sine qua non of a well organized and proficient society. Thus Financial Inclusion can be defined as the process of confirming access to various financial services and timely and adequate credit where required by the financially disadvantaged segments such as economically weaker sections at a reasonable cost.

Financial Inclusion in India

Keeping the growing importance of financial inclusion in view, the Reserve Bank of India formed a commission (Khan Commission) in the year 2004 to look into Financial Inclusion. The recommendations of the erudite commission were later integrated into the Mid-term review of the policy (2005-06). In the report, Reserve Bank of India encouraged the banks to achieve greater Financial Inclusion to make a basic "no-frills" banking account available to the disadvantaged class of the society.

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The Financial Inclusion was initially introduced in India in the year 2005, when it was presented, by means of a pilot project in Pondicherry, by the then chairman of Indian Bank, Dr. K. C. Chakrabarty. The first village in country where banking facility was made available for each and every family was Mangalam. Further, the KYC (Know your Customer) norms were also relaxed for individuals anticipating to open these no frills accounts with an annual deposit of less than Rs. 50,000. General Credit Cards (GCC) were issued to the underprivileged and the poor with a view to support them in accessing easy credits. It was the January of 2006, when the Reserve Bank permitted commercial banks to make use of the services of non-governmental organizations (NGOs/SHGs), micro-financing institutions and other civil society organizations such as intermediaries for making the financial and banking services available to all. The commercial banks were free to use these intermediaries as either business facilitators (BF) or as business correspondents (BC). Reserve Bank enquired the commercial banks in different expanses to initiate a campaign to ensure 100% Financial Inclusion on a pilot basis. As a result of this campaign, several states and Union Territories like Himachal Pradesh, Pondicherry, and Kerala announced 100% financial inclusion in all of their districts. Reserve Bank of India's aims to open nearly 600 million new customers' accounts and service them through a wide spectrum of channels by leveraging on the advanced information technology, as a part of its "vision 2020". However, the poor literacy rate along with the extremely low income savings and the lack of bank branches in rural areas continue proving to be a stumbling block in the glitch-free implementation of financial inclusion in many states. Indian economy is primarily an agriculture based economy due to which it lacks in schemes and plans that lend to agriculture. It is thus equally important to focus on micro insurance besides microfinance.

Objectives of the Study

1. To explore the need and importance of financial inclusion for socio-economic progress of society.
2. To analyze the present standing of financial inclusion in Indian economy.
3. To study the access of rural households to banking services.
4. To investigate the impact of financial inclusion efforts on marketing of financial products of banks.

Research Methodology

Research methodology employed is descriptive to some extent, exploratory to a certain degree and partially causal. Secondary sources of data are used. The data and all relevant information for this study has been collected with the valuable assistance of various Books, Magazines, Research Articles, Newspapers, Research Journals and online resources etc. Data published by various institutions such as Government of India, World Bank, CGAP, Reserve Bank of India, NABARD, State Level Bankers Committee (SLBC), etc are used for the objective of the present paper.

Review of Literature

Mandira Sarma and Jesim Paise in their research paper "Financial Inclusion and Development: A Cross Country Analysis" (2008) recommend that the matter of financial inclusion is a priority related to the development policy in several countries. Among various socio-economic factors, income is related positively with the degree of financial inclusion. Further physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play positive role in enhancing financial inclusion.

According to Indian institute of banking and finance, "financial inclusion is delivery of banking services at an affordable cost ('no frills' accounts,) to the vast sections of disadvantaged and low income group. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. 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 is the prime objective of the public policy."

In the words of Mr. V. Leeladhar, Reserve bank of India bulletin, Jan 2006, financial inclusion is delivery of banking services at an affordable cost to the vast sections of advantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society. 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 is the prime objective of the public policy.

The findings of the research conducted by Oya Pinar Ardic *et al* (2011) in their paper "Access to financial services and the financial inclusion agenda around the world: A cross-country analysis with a new data set" that counts the number of unbanked adults across the globe, besides analyzing the state of access to deposit and loan services, and also discusses the state of financial inclusion mandates across the globe clearly indicate that there is much to be done in the domain of financial inclusion yet. Paper concludes interestingly that fifty-six percent of adults in the world do not have access to formal financial services.

Dr.Maniklal Adhikay and Supravat Bagli in their article "Impact of SHGs on Financial Inclusion - A Case Study in the District of Bankura" implied the multiple regression model for approximation of the financial exclusion along with a binary logic model for estimating the access of people to the system of formal credit. They interestingly concluded in the paper that in order to boost the pace of the financial inclusion through restricting the domination of village money lenders it is commendable to implement the SHG-Bank/ Co-operative Linkage more intensively in the rural areas covered under study.

Michael Chibba (2009) analyzes Financial Inclusion as a strategy for tremendous inclusive development and Poverty Reduction. He states financial inclusion clearly displays itself as part of the embryonic FI-PR-MDG interconnection. However, in the situation of present day financial crises, the necessity to promote Financial Inclusion is perhaps more important as a harmonizing and incremental approach to work in order to meet the MDGs.

An empirical study conducted by Nalini G.S and Mariappan. K (2012) disclosed that the banks should motivate people to access banking services by ways of No Frills Account, financial inclusion campaigns and business correspondents. The study also suggested that the government should encourage the banks to take up financial inclusion with the help of financial assistance and awareness programme etc.

Dev Mahender. S (2006) stated that banks should look at financial inclusion both as a business opportunity and as a social responsibility. The role of SHG's and MFI's is also important to improve financial inclusion.

Joseph Massey (2010) in his periodical study stated that in a developing economy, the role of formal financial institutions is essentially inevitable and crucial in the advancement of financial inclusion. Various formal financial institutions have a very crucial and a wider role to play in nurturing the concept of financial inclusion. The efforts of the government to help financial inclusion grow can be further supported by the pro-active attitude of the financial institutions. Efforts to include the impecunious class in the mainstream of financial inclusion are clearly visible on national and global level.

Progress of Financial Inclusion In India

According to census 2011, there are only 58.7% of Indian households that are availing banking services. However, if we compare it with census 2001, we can clearly find that the availing of banking services has increased magnanimously chiefly because of increase in the banking services in rural areas (Chart 1).

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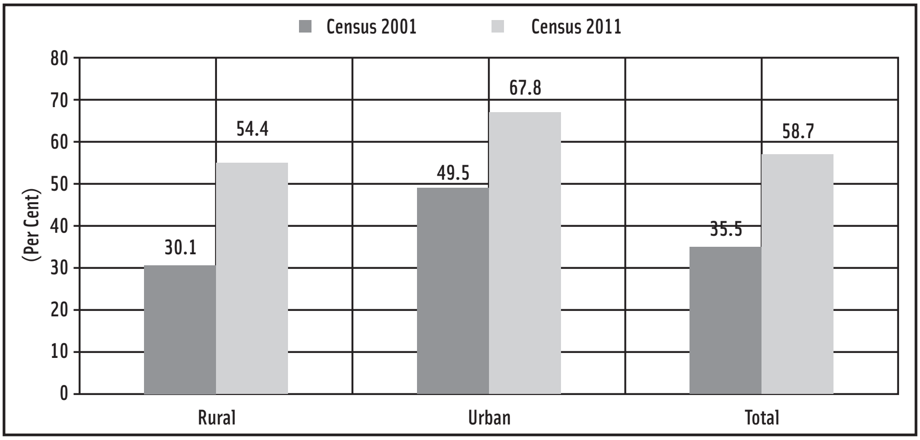
Chart 1 : Availing of Banking Services



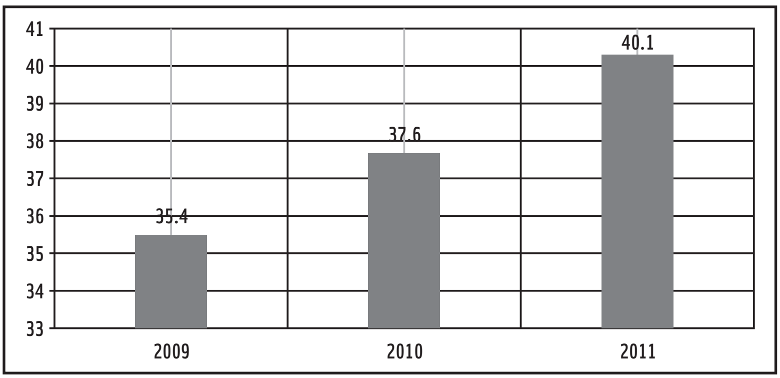
Source : Department of Financial Services, GoI

NSSO 59th Round Survey Results evidently point out that 51.4% of farmer households are financially excluded from both formal/ informal sources. Out of the total farmer households, only 27% have access to formal credit sources, and strikingly one third members of this group, borrowed from the non-formal sources as well. The above mentioned fact establishes the surprising fact that 73% of the farmer households do not have absolutely any access to the formal sources of obtaining credit.

Across various regions in India, the situation of financial exclusion is more critical in the Eastern Central, and North-Eastern parts of the country. Above mentioned three regions of the country collectively accounted for almost 64% of financially excluded farmer households. However, it is conspicuously remarkable that over the period of past five decades, an overall advancement in access to formal sources of credit by the rural households is noticeable.

Credit Rating Information Services of India Limited (CRISIL) has recently published an all-inclusive financial inclusion index for the first time titled 'Inclusix' in June 2013. For constructing the index, CRISIL identified three important factors of rudimentary banking services that are branch penetration, deposit penetration and credit penetration. This CRISIL 'Inclusix' specifies that there is an overall advancement in the domain of financial inclusion in India. This index also displays an improvement from 35.4 in March 2009 to 37.6 in March 2010 and to 40.1 in March 2011 on a 100 points scale. (Chart 2)

Chart 2 : CRISIL - Inclusix



Source : CRISIL

It can be deduced obviously from the World Bank 'Financial Access Survey' results (table 1 given below) that it would be observed that financial exclusion measured in terms of density of bank branches, density of ATMs, bank credit to Gross Domestic Product and bank deposits to Gross Domestic Product in our country, is relatively small if paralleled with most of the developing countries across the globe.

Table 1 : Select Indicators of Financial Inclusion, 2011

S.No	Country	Number of Bank Branches	Number of ATMs	Number of Bank Branches	Number of ATMs	Bank Deposits	Bank Credit
		Per 1000 KM		Per 0.1 Million		as % to GDP	
1	**India**	**30.43**	**25.43**	**10.64**	**8.9**	**68.43**	**51.75**
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Korea	79.07	...	18.8	...	80.82	90.65
6	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
8	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
9	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
10	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
12	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
13	UK	52.87	260.97	24.87	122.77	406.54	445.86
14	USA	9.58	...	35.43	...	57.78	46.83
15	Swtzerland	84.53	166.48	50.97	100.39	151.82	173.26
16	France	40.22	106.22	41.58	109.8	34.77	42.85

Source : Financial Access Survey, IMF; Figures in respect of UK are as on 2010

Financial Inclusion - RBI Initiatives

The Reserve Bank of India, in order to achieve financial inclusion, has embraced a bank-led model. It has removed all regulatory issues which posed a threat in attaining a higher degree of financial inclusion in the nation. Further, for achieving the targeted goals, the Reserve Bank has created a very encouraging and facilitating governing atmosphere by providing institutional support to the banks in order to support, accelerate and fortify their financial inclusion efforts.

Initiatives

- Reserve Bank has advised all the banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities that can be given to the impecunious customers devoid of access to any formal financial institution. Such minimum facilities include conditions such as no minimum balance, deposit and withdrawal of cash at either branches of the banks and ATMs, receipt/ credit of money through electronic payment channels and the facility of providing ATM card to the customers etc.
- Hassle-free and abridged KYC norms in order to facilitate convenient opening of bank accounts, especially for trivial accounts that have balances not exceeding the limit of Rs. 50,000 and their aggregate credits in the accounts also do not exceed Rs. one lakh per annum. Besides, banks are also advised not to insist on the need for having an introducer to open bank accounts of these disadvantaged customers. In addition to this, banks are also permitted to accept the Aadhar Card of the customer as a proof of both, his identity and his address.

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- Reserve Bank has also simplified its Branch Authorization Policy, so that the concern of irregularly spread of bank branches can be resolved. Domestic Scheduled Commercial Banks (SCBs) are allowed to open their branches liberally in Tier 2 to Tier 6 cities which have a population of less than 1 lakh. Reserve Bank has even relaxed this limit in the case of the North-Eastern States and Sikkim where domestic Scheduled Commercial Banks can freely open their branches without seeking any permission from RBI. Although, general permission for opening branches in Tier 1 cities to the domestic SCBs (other than RRBs) is subject to some conditions yet it serves the objective of further liberalizing.
- The commercial banks are compulsorily directed by RBI to apportion at least 25% of the total number of branches scheduled to be opened during the financial year in the (Tier 5 and Tier 6) rural centers that are devoid of banking facilities.
- It has also been suggested to the banks to open intermediate brick and mortar structures that will be located between the existing base branch and BC locations. This intermediate branch could be like that of a cost effective simple brick and mortar structure. This infrastructure shall be aided by the minimum infrastructure required for banking operations such as a core banking solution terminal connected to pass book printer and a safe where the cash can be retained in case of successful operations of a larger customer transaction.
- The private and public sector banks were advised to submit a three year Financial Inclusion Plan (FIP) which must be approved by board starting from April 2010. These policies are supposed to keep a close watch at keeping self-set goals with reference to the opened brick and mortar rural branches, serving the un-banked villages with population above and below 2000, Kisan Credit Cards issued, Basic Saving Bank Deposit (BSBD) accounts opened, , General Credit Cards (GCC) issued and several others. Reserve Bank since then has been witnessing and keeping a careful watch on these plans on a monthly basis.
- Banks have been advised that their FIPs should be considered individually and should be dripped down up to the branch level. This would definitely warrant that all the stake holders are involved actively in the Financial Inclusion Plans of the bank.
- It was also recommended that Financial Learning Camps should be set up and all the rural branches of SCBs should fortify the efforts for spreading the financial literacy by means of outdoor Financial Literacy Camps (FLCs) at least on a monthly basis. It was expected that these FLCs would assist the plans of financial inclusion with the help of high 'Financial Literacy' and easy 'Financial Access'. As a result, 718 Financial Literacy Camps have been established as at end of March 2013 and around 2.2 million people have been financially educated with the help of awareness camps, chaupals, seminars and lectures etc.

Need of Financial Inclusion

More than even two decades after economic reforms introduced in India, the financial sector has been suffering from several problems two of which are conspicuously noticeable. One, the sector proved to be lucrative enough for the succeeding governments in these decades, yet it soon lost its tempting characteristics of attractive pace of growth and well decided direction. Though it enjoyed the advantages of some early attention from the then governments, it soon lost a majority of them in the later journey and the situation continues till date. The prime force on financial reforms has to be initiated by the finance minister and the ministry of finance.

Second, it is quite astonishing that the areas even where the financial reforms oriented changes have taken place, there also lays the scope for review, development and growth. The financial services perhaps are the sector with the greatest global facets. Credit constitutes one of the most crucial inputs of economic development. The accessibility of credit to people at a cost that is reasonable and can be obtained at times whenever required, has a gigantic task to play in the welfare of the impecunious and destitute sections of the society. Suitable access of the rural people to various finance related services is conceivably a key essential to the primary tools of economic development.

Various banking and finance related services such as capital markets, pension investment and insurance etc have a very significant potential for the foreign investments. The policy making often has witnessed a thrust on a balanced approach between the global and local needs, undoubtedly which shifts later upon putting on a global mask. This certainly leaves the local needs unattended. The foreign investors, in the recent years have been offered a lion's share in several of these segments.

While a universal appearance is apparent in the insurance sector, the banking sector has witnessed a mixed trend in terms of both the Indian private sector banks and the global banking companies that have posed serious competitions for each other. The Indian public sector banks on the other hand, have seen severe ups and downs. A few of them not only survived but also flourished whereas the other few either went off the screen or were merged with the giants.

Although, the banking sector has been opened thrice for providing licenses to new banks in the post liberalization era and the licenses has been issued to two new banks recently, yet the financial inclusion remains a three-fold utopian dream for the majority of people in India. Almost twenty years have passed after the privatization of banks in India, yet only 35% of the Indians have bank accounts. This data is worth pondering for the governments since this average is 41% across the developing economies across the globe. A very appalling fact to be kept in mind is that about 6, 50, 000 villages in the country do not have even a single bank branch, and 70% of the population in India is rural population, residing in villages. This perhaps is the primary reason for a majority of Indians falling in the deceitful and devious hands of immoral moneylenders who are unorganized in their nature.

The recommendation of the ***Committee on Comprehensive Financial Services for Small Businesses and Low Income Households*** headed by Mr. Nachiket Mor, that has recently submitted its report to RBI has clearly focused on the need for a higher degree of financial inclusion in the banking sector. Previously, the finance minister Mr. P. Chidambaram played an instrumental part in establishment of a women's bank, that has started its operations in the recent years. Although it's the time when non-banking finance companies (NBFCs) have been brought under the close supervision of regulatory authorities, there has evolved the dire need for differentiating between the good and he bad NBFCs. The banking sector although has been marked with the inclusion of high degree of automation, yet the need of the day is to shift this focus from the automation and core technological aspect and keep the aam aadmi in the center of banking and non banking financial services sector.

It can be achieved by introducing a model that has all the benefits of global banking, yet which is traditionally Indian in its approach. The best that can be done is to rejuvenate the traditional Indian micro-economy for the benefit of the macro economy. If the cheaper loans can be extended to the rural destitute at a reasonable price, it definitely will have a tremendous impact on the Indian economy, primarily the rural one, ultimately boosting the financial inclusion in India. This all can be achieved easily if we utilize and learn from the experiences of good NBFCs. A fine example of the influence of self help groups and localizing the models is the Grameen Bank in neighboring Bangladesh.

The Expected Impact of Financial Inclusion on the Marketing of Financial Products of Banks

Since a large number of Indian population is still unbanked and moving this huge unbanked population into mainstream banking is a challenge for the banks which has its own underlying opportunities to be explored. The most obvious opportunity lies in tapping the untapped customer base that can be targeted by banks. It can also assist the bank in building positive brand equity if the bank sincerely fulfils its own social responsibility. The most important fact to be kept in mind here is that most of such untapped customers belong to the disadvantaged impecunious rural class who are extremely price conscious. They are the customers who strictly believe in the value perception that the value is low price and hence always seek value for money. Hence, when the banks target such customers, they will certainly be compelled to find out ways to offer cost effective financial products and services. Also, the banks will have to face the challenge of poor financial literacy among However, cost is not

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the only hurdle in increasing the adoption of banking services. The potential customers need to perceive the benefits of banking and banks will also face stiff competition from unorganized players. Ultimately, the banks need to agree with in the feasibility of this emerging business opportunity, instead of merely treating financial inclusion as an obligation.

Targeting the 'Unbanked'

For financial inclusion to be a success, banks need to fasten their seatbelts and to develop some creative business models to develop products that address the explicitly stated, overt and covert needs of the unbanked population and also design delivery channels that are cost effective and viable in the long run.

- **By appointing the facilitators or business correspondents** - In the remote rural areas of the country, it is a daunting challenge to implement financial inclusion because ensuring the accessibility of the banks in remote locations itself is a hard nut to crack. The banks can improve their connectivity and accessibility by appointing some reliable business intermediaries such as business correspondents or facilitators. This model can prove really effective where the banks can appoint the local mom & pop stores (traditionally known as kirana stores) to facilitate the banking service to the distant rural areas. The banks can enlist these store-owners as their business correspondents. A major benefit of introducing these local stores will be that because of their acquaintance with the locales, they can be of true good to banks when it comes to managing the KYC norms. Also, they can prove to be an effective medium for transfer of funds. Banks can further leverage and utilize the relationship of these stores with their customer thereby generating a future opportunity to sell other financial products such as pension plans, micro insurance, mutual funds etc by means of these facilitators. The only problem that seems evident in this model is that the banks may face the problem of exercising proper operational control over these facilitators but it can be addressed in several ways.
- **Through mobile banking** - According to a report of World Bank on financial inclusion (published in the year 2012), more than 70% (over 5 billion) of the world population of 7 billion, own mobile phones whereas surprisingly only 30% (about 2 billion) have a bank account. This clearly indicates the phenomenal scope for the banks to tap this unbanked global population who has a mobile phone but not a bank account. Banks can effectively use the mobile technology to serve the requirements of their small customers with no frills accounts, keeping the cost per transaction impressively low. Although the non-traditional players are in a strong position today in terms of P2P mobile payments, the banks still hold a competitive edge in terms of unquestioned reliability and strong infrastructure.
- **Through crowd-funding** - According to 2013CF Crowdfunding Industry Reports by Massolution, the crowdfunding platforms globally raised $ 2.7 billion in the year 2012 and successfully funded more than one million campaigns. Furthermore, it is projected to touch the new benchmark of $ 5.1 billion in the year 2013. The crowdfunding has come into view recently as an excellent unconventional channel for lending when the credit policies are becoming tighter each day. in general, these programs target the unbanked population by providing small loans to them that are unfeasible for big banks. Banks are gradually entering into this domain despite of the fact that a considerable share of crowdfunding initiatives are run and managed by non-banking institutions across the globe.
- The formal financial institutions including the nationalized and the private sector banks in India have fastened their belts to fortify their efforts to boost and support the financial inclusion initiatives in India after the recent efforts of the Reserve Bank. Keeping the directives of RBI in view, the commercial banks have set Financial Inclusion Departments and they all seem impressively activated to support the financial inclusion initiatives. The product basket for the unbanked rural destitute may consist of:
- **Bank Accounts** - Bank accounts for the unbanked rural destitute should basically be no frills accounts

accompanied with just the most basic features to operate any savings accounts. The accounts for such accounts have been introduced under the name of Savings Basic Accounts, Savings Small Accounts etc and the list is increasing at a noticeable pace.

Recurring Deposits with a few minor modifications can also be made well suited to the needs of the marginal unbanked destitute an attractive option to meet their contingency needs.

- **Micro Insurance -** Micro- insurance business is done through the intermediaries such as Non-Government Organizations, Self-Help Groups and Micro-Finance Institutions. The major offerings are in general micro insurance products and life micro insurance products. The banks should plan to serve the disadvantaged class also since they also will be the customers of the banks. The addition in the banks' insurance product basket can be innovative Monsoon indexed lending and insurance, Agricultural Insurance or Crop Insurance etc.
- **Loans and Credits -** The major fact to be considered about the disadvantaged customers of the banks is that they are devoid of any kind of bank loans due to several limitations and this is the primary reason for their being trapped in the exploiting cruel hands of money lenders and other non formal sources of lending. The banks can offer (and in some cases are even offering) loans at the subsidized rates to these customers. Most importantly, the banks should keep in view that the rural customers usually prefer the mortgage loans against their belongings which they mostly loose along with repaying their loan at a very high interest rates borrowed from the money lenders. Some very deplorable facts to be borne in mind are such as most of the rural people who take a loan for procuring some asset are not able to retain the asset for several reasons such as either they did not purchase the asset, some buy it, but subsequently sell it off and also the asset dies (in the case of cattle loan) or stops functioning in some cases. Moreover out of the total borrowers, most are not aware of the interest rate; the repayment amount and also the balance outstanding. Hence it is the point worth pondering and considering in order to device more tailored products for this class of customers.

Conclusion : Stride Towards Inclusive Finance

Banks by themselves cannot make financial inclusion a success. There is a need for a whole ecosystem that is supportive of this mission. The policy makers, that include the regulators and government bodies, must be in sync, the IT solution providers must put on their thinking caps to come out with innovative products and solutions, communication channels such as internet and mobile need to expand their reach, and the media and the public need to play an active part.

The other challenge for financial inclusion is from the banks themselves. While it is true that financial inclusion will unleash a hitherto hugely untapped market, the normal banking model may be found wanting because of issues such as flexibility, convenience and reliability. The business will be viable only when there is a focus on increasing the usage of existing infrastructure and that is possible when the banks can offer the entire range of products and services to the large number of users of essential banking services.

Apart from these challenges, banks will also have to quickly master and replicate the business model to extend their reach to the remotest regions in their respective geographies. They will need to ensure that the transactions deliver a viable business benefit to the bank. For tapping cross-sell opportunities, banks will have to quickly roll-out customized and segment-specific products. The bank staff should be brought in sync with the business plan by convincing them of the viability of the business model and the need for a business correspondent delivery model. Banks, in collaboration with the government and NGOs, will have to run an extensive financial literacy program to educate the unbanked about the benefits of banking.

Finally, with the growing importance of retail banking and with many unconventional players eyeing the opportunity in payments and other lucrative areas of banking, banks need to understand the importance of micro and small branches. These micro and small branches can help banks increase their presence without a huge cost

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burden, provide bankers an opportunity to cross sell micro products and offer a window of opportunity for the large unbanked population to transact without any interference from intermediaries. These branches can also help diminish the role of the unorganized financial sector, such as local moneylenders and unregistered credit societies. This will also help banks build a brand awareness and loyalty among the users, which by itself has a cascading effect on the business operations, especially among the rural and un-banked centers.

In conclusion, with the increasingly competitive banking sector facing frequent slowdowns and downturns, the unbanked population presents a huge opportunity for banks to enhance their customer base and fulfill their social responsibility.

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AN ANALYTICAL APPROACH TO UNDERSTAND CUSTOMER RELATIONSHIP MANAGEMENT IN INDIAN BANKING SECTOR FROM THE PERSPECTIVE OF CUSTOMERS

ABSTRACT

In recent years, significant developments have been experienced in the banking sector. With the improved technology, banks have come to be the institutions that offer services 24 x 7 through telephone, internet and ATMs. Besides, the classic banking services, banks have taken over a number of activities such as automatic bills payment, which facilitates the lives of the customers. To maximize lifetime profitability from valued customers, banks have changed traditional silo mindset and have adopted CRM techniques.

This paper examines the relationship between the customer loyalty and CRM among the customers of Banks. Methodology of the paper has been designed in such a way that, it abstracts the scales into 5 dimensions related to CRM of bank. Paper uses regression analysis to derive an equation explaining customer loyalty. This paper provides insights for the banks which adopt CRM at a strategic standpoint as well as operational standpoint and implement a customer - centric vision.

Keyword : *Customer relationship management, banking sector, customer services, customer lifetime value.*

Introduction

In India, the definition of the business of banking has been given in the Banking Regulation Act, (BR Act), 1949. According to Section 5(c) of the BR Act, 'a banking company is a company which transacts the business of banking in India.' Further, Section 5(b) of the BR Act defines banking as, 'accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable, by cheque, draft, order or otherwise.' This definition points to the three primary activities of a commercial bank which distinguish it from the other financial institutions. These are:

(i) Maintaining deposit accounts including current accounts.

(ii) Issue and pay cheques

(iii) Collect cheques for the bank's customers.

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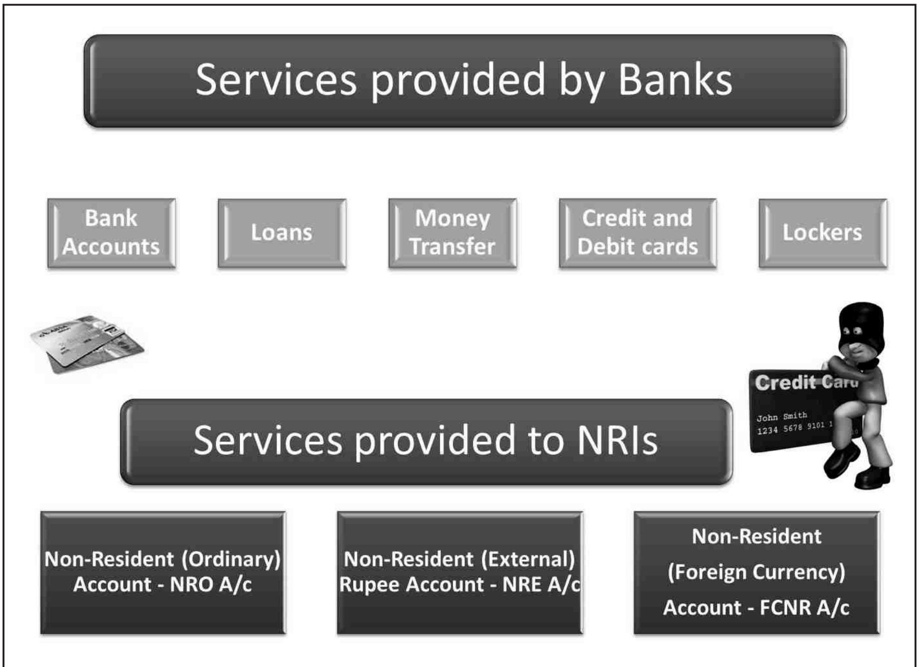
History

- 1870 - Bank of Hindustan - First Bank
- Presidency Banks - Bank of Calcutta, Bank of Bombay and Bank of Madras
- 1921 - All 3 banks amalgamated and became Imperial Bank of India
- 1934 - RBI was Constituted
- 1949 - RBI came under government control
- 1955 - Imperial Bank became State bank of India

Figure 1: Services provided by Indian Banks



Marketing of Banking Services

- It is concerned with product, place, pricing, distribution, and promotion decisions in the changing socio-economic and business environment.

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- Concerned with the designing of product strategies keeping in view the needs and requirements of prospects.
- It is also related with the place decision i.e. locating bank at suitable point.

Customer Relationship Management (CRM)

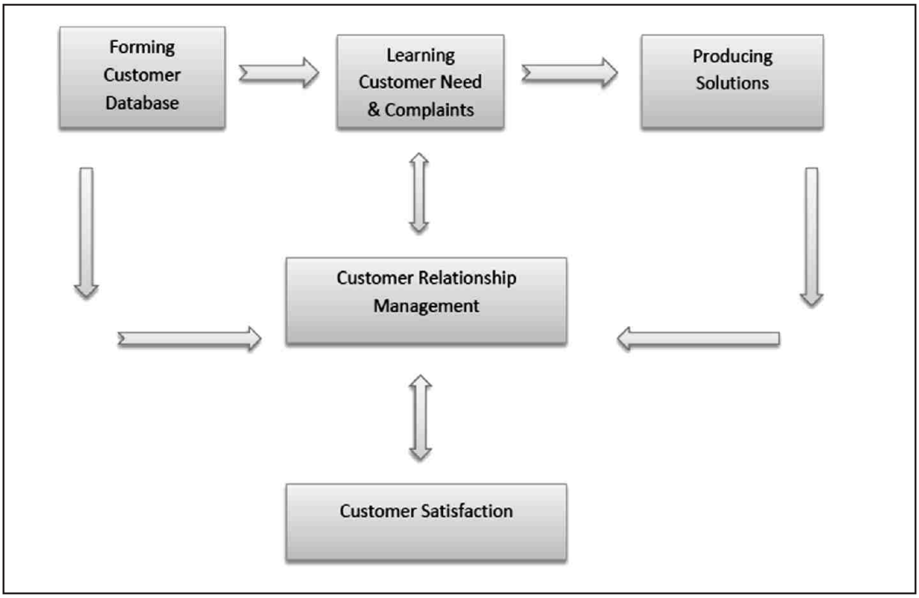
Whether enterprises can make their current customers loyal depends on whether they can well manage the customer relationships. As customers have grown to be more conscious consumers, enterprises have had to pay the price of the errors and faults they commit in customer relationship. The phrase CRM appeared in the literature after the evolution in the relationship marketing philosophy. Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multiservice organization. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understanding anticipating and managing the needs of an organization's current and potential customers. Furthermore, Mylonakis (2009) described CRM as an innovative process to create a long-term relationship and gain trust. Further, a clear vision of CRM along with appropriate strategies when applied in banking sector found out that it was beneficial in maintaining the customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organization and profitability (Bansal and Sharma, 2008). Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks. Kumar & Rajesh (2009) reveal that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship. The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau *et al.*, 2003). It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they might switch to other banks (Ray, 2007). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers.

Parasuraman *et al*. (1985) also hold the view that high quality service gives credibility to the field sales force and advertising, stimulates favorable word-of-mouth communications, enhances customers' perception of value, and boosts the morale and loyalty of employees and customers alike. Puccinelli (1999) looks the financial services industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry (Sherif, 2002). In today's competitive banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev *et al.*, 2004).Roger Hallowell (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers' level of satisfaction is comparatively higher. CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et.al., 2009).

Customer relationship management in banking sector

Enterprises produce benefits of form, time, place and property that will satisfy the customers' demands thanks to the goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. (Alt?nta?, 2000). Whether the customer is satisfied or not depends on whether he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied, but if it does not suit, he is not satisfied. If what is offered is above the expectations, the

Figure 2: Framework of customer relationship management



customer is highly satisfied and pleased.

In recent years, in the fields like banking, where there is a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain their customers, the banks are to attach importance to customer relationship management. Whether the banks gain from the customer relationship management and become successful depends on whether they follow the technologic developments closely and make investments to this end. Also, their ability to determine right strategies for the purposes that they want to attain in customer relationship management are important factors that enhance the success chance of the banks. There are four important stages of following customer relationship management strategy in the banks. The first step is the stage of "planning, targeting". It is necessary to make a documented strategy stating how customer relationships need to be directed. The second step, "design", allows preparing the prime designs supporting the bank strategy. A lot of banks ignore this step, but it is important for coordination and thus success. The third step is "building". At this stage, projects for changes are started. The third step is "running and developing the programmes". When the first projects start to give fruits, it should not be thought that the work is over. It is necessary to place the change in the enterprise, to develop the activity and make the strategy more certain.

Research Objectives

a) To assess the role of Customer Relationship Management in Banking Sector.

b) To assess the perception of customers towards the implementation of CRM in banks.

c) To assess the factors leading to customer loyalty with respect to the dimensions of bank's CRM.

Research Methodology

The research methodology for the present study was based upon descriptive research design. Stratified Non Probability Sampling method was used, which involves the samples being drawn from that part of the population which is easy to find and approach. Responses were collected from 100 respondents from the NCR (National

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Capital Region) of India, as NCR is the head quarters to many banks and contain the right mix of desired samples. In research process firstly, respondents were made aware about the purpose of study and then they were requested to mark their unbiased responses. The questionnaire was pre-tested on 20 respondents and minor changes have been incorporated in questionnaire. Further the data has been categorized in two parts i.e. primary data (collected through questionnaires) and secondary data (collected with the help of newspapers, magazines, industry reports and various other journals) for statistical analysis. The primary instrument for data collection questionnaire consisted ordinal scale questions to know the priority of each item among the group (1 being the best rank and 5 being the least), interval scale was employed in "Likertt scale type" to extract data with a magnitude and nominal scale was employed to store demographics of the respondents. The primary data was analyzed using SPSS software for data reduction through factor analysis and the same was depicted using bar charts, factor analysis, regression analysis, etc.

Analysis Based on Quantitative Data

Use of bank branch as per the location

Table 1 showcases the relation of the respondent with reference to the location of the bank branch. It can be inferred that a good mix of respondents have been selected for the study, who are distributed across the targeted region.

Table 1 : Location of the bank branch

Area	Frequency	Percent
South Delhi	26	26
North Delhi	22	22
East Delhi	24	24
Noida	17	17
Ghaziabad	11	11
Total	**100**	**100**

Respondents selected for this study are fairly scattered across NCR (National Capital Region) and this distribution ensures in delivering effective insights out of proceeding analysis.

Frequency of bank branch visits:

Use of bank branch as per the location:

a. *Visited bank branches in the last week :* Respondents were enquired, whether they have utilized any of the banking services in the last week through a bank branch.

   From figure 3 it is evident that, 66 respondents visited their bank branch in last week. Whereas 34 people did not visit their bank branch last week. Majority of the respondents had visited to their bank branch last week would make data more usable and relevant for study of their response towards the bank's CRM.

b. *No. of visits to a bank branch in last 3 months :* Respondents were enquired about their no. of visits to bank branch for utilizing the banking services in the last 3 months.

Table 2 showcases the frequency of the respondents visiting the bank branch in last 3 months. It can be observed that 25 respondents never visited their branch in last three months, 35 respondents visited their branch 1-3 times, 33 respondents visited their branch 4-9 times, 4 respondents went for 10-19 times and 3 went for more than 20 times. This indicates the appropriate mix of the respondents experiencing the branch banking as well as internet banking for this study.

Figure 3 : Number of respondents visited bank branch last week

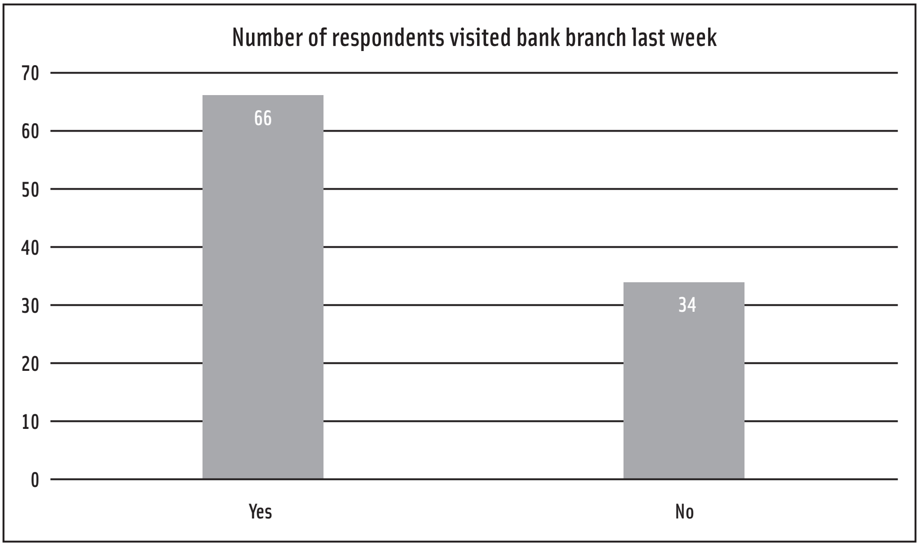

Table 2 : Frequency for visiting banks

	Frequency	Percent
Never	25	25.0
1-3 times	35	35.0
4-9 times	33	33.0
10-19 times	4	4.0
20 or more	3	3.0
Total	**100**	**100.0**

Knowledge of bank's product & Services (Bank employee perspective):

Respondents were asked to rate the bank employees knowledge of the banking products on the Likertt type scale based upon their interaction during their bank branch visit.

Table 3 : Knowledge of Products & Services

	Frequency	Percent
Very Satisfied	43	43
Satisfied	47	47
Neutral	5	5
Dissatisfied	2	2
Very Dissatisfied	3	3
Total	**100**	**100**

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Table 3 showcases that, 47% customers are satisfied with the bank employee's knowledge of products & services, 43% very satisfied, 5% stayed neutral. Whereas 3 % were dissatisfied and 2% dissatisfied about the bank employee's knowledge regarding banking products. It can be inferred that most of the respondents were positive that bank employees know about the banking products they are dealing inand respondents are satisfied with their knowledge level.

Factor Analysis: Different Dimensions of CRM in Banks

To narrate the variables in different dimensions of customer relationship management in banks, the factor analysis has been administered. 21 item scale has been subjected to KMO Measure and Bartlett's Test. The KMO measure of sampling adequacy is 0.866, which is greater than 0.5, which is the recommended value for acceptance of results of factor analysis, by Kaiser (1974) and Bartlett's test of sphericity was significant ($\chi 2$ = 1.045E3, $p < .05$). However, low p-value of the Bartlett's test of sphericity confirms the usefulness of the factor analysis of the 21 items in the scale.

Table 4 : KMO Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.866
Bartlett's Test of Sphericity Approx. Chi-Square	1.045E3
df	210
Sig	0.00

Table 5 : Total Variance Explained

Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.563	31.252	31.252	5.020	23.907	23.907
2	1.963	9.349	40.601	2.380	11.334	35.241
3	1.443	6.872	47.473	2.229	10.615	45.857
4	1.233	5.871	53.344	1.411	6.721	52.578
5	1.153	5.489	58.833	1.314	6.255	58.833

Note: Extraction Method: Principal Component Analysis
Source: Primary Data

Table 5: Principal components analysis was used because the primary purpose was to identify and compute composite scores for the factors underlying the dimensions of CRM in banks. Varimax rotation was used to measure the individual factor loadings and the results suggest that the Eigen value, for the extracted 5 factors, was greater than recommended level of 1. This reveals that from the 21 items included in factor analysis, 5 dimensions were extracted and emerged with a cumulative variance of 58.833 per cent.

Table 6 : Rotated Component Matrix

Factors	1	2	3	4	5
Knowledge about market trends	0.797				
Confidence in bank services	0.781				
Personalized service to meet customer's needs	0.771				
Knowledge about banking services	0.768				

Show respect to customer	0.755				
Help me to plan my investment	0.745				
Bank is flexible when its services are changed	0.685				
Openly discussing solution when problem arise	0.659				
Provides effective sales promotion	0.554				
Offering timely and trust worthy information	0.449				
Flexible in serving customer's needs		0.733			
Bank helping to avoid potential conflicts		0.670			
Bank fulfills its promises		0.600			
Offers advice on how to invest		0.532			
Tries to solve conflict before creating problems		0.475			
Providing accurate information			0.847		
Fulfill its obligation to customer			0.748		
Bank words and promises are reliable			0.623		
Consistent in providing services				0.819	
Informing about new banking service					0.738
Concerned with security of transaction					0.490

Note: Extraction method: Principal component analysis, Rotation method: Varimax with Kaiser Normalization, Rotation converged in 7 iterations.

The rotated component matrix shows that knowledge about market trends, confidence with bank services, personalized services to meet customer needs, knowledge about banking services, showing respect to customers, helping customers to plan their investment, Bank is flexible when its service are changed, openly discussing solution when problem arise, providing effective sales promotion can be grouped into first factor. This factor can be named *competence.* Providing timely and trust worthy information, flexibility in serving customer needs, bank helping to avoid potential conflict, bank fulfills its promises, providing advice on how to invest can be grouped into second factor. This can be named as *relationship communication*. Bank tries to solve conflict before create problems, providing accurate information, fulfill its obligation to customers, can be put under third factor named caring.

Banks words and promises are reliable, consistent in providing services can be grouped into fourth factor and can be labeled as *trust.* Informing about new banking services and concerned with security of transactions be put under fifth factor, which can be *shared information.*

Multiple Regression Analysis

To identify whether different dimensions of CRM has strong impact on customer loyalty, multiple regression was used.

Table 7 : Regression Table

Contribution of variables in the dimensions of trust Dependent variable: customer loyalty Scores (y)					
Independent	**Un Standardized Variable**	**Standard Co-efficient**	**Standardized Error**	**t-Value Co-efficient**	**Significant**
Constant (y)	1.829	0.356	-	5.130	0.000

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Bank words and promises are reliable (X1)	0.531	0.078	0.502	6.841	0.000
Consistence in providing services (X2)	0.062	0.056	0.082	1.112	0.268

Note: Multiple R 0.514, F-Value 24.590: d.f (2,137) $p < 0.05$: and R2 = 0.264

The above table explains contribution of trust dimensions of customer relationship management to customer Loyalty.

Y = 1.829 + 0.531 (X1) + 0.62 (X2) Where Y is the estimated customer Loyalty Score.

The above equation revealed the variables of trust such as bank words and promises are reliable, consistent in providing services. On an average, if the perception score of trust changes by 1 unit, there will be 0.531 unit increase in customer loyalty, other variables remaining constant similarly the multiple R of 0.514 revealed that there exist the relationship of 51 percent between trust and customer loyalty. Similarly R2 indicates 0.264 change in trust explained and variation of 26 percent in customer loyalty. The relative importance of variables in predicting trust can be determined by comparing beta co-efficient. Values of Beta are 0.502, 0.082 respectively for bank words and promises are reliable, and consistent in providing services. This shows that among all aspect of trust, bank words and promises are reliable had most powerful impact on customer loyalty.

Conclusion

Bankers can no longer view the customer from the perspective of specific products or a snapshot in time. Banks that carry out advertisement and presentation activities besides a variety of services offered to their customers undergo high costs for the sake of competition. However, expensive advertisement campaigns are not adequate in competition, for there is a serious need for high technologic substructure and automation support. It is of significance that banks should make one-to-one and individualized relationships with their customers, offer privatized services and determine the customers' needs. To collect information about the customer and update them are among the important milestones of customer relationship management. This study have successfully showcased that customer loyalty towards the bank can be successfully managed through following dimensions of bank's CRM:

- Competence
- Relationship communication
- Care
- Trust
- Information sharing

Research results show that not only collecting data about the customers but also giving information to them arouses customer loyalty, arousing in them the sense that they are highly valued. The fact that banking procedures are fast and customers are not kept waiting much are rather important for customer loyalty. The personnel's knowledge of banking and mastery of the subject accelerate the speed of the service given, so any attempt to train the personnel is necessary for customer relationship and loyalty.

There are two objectives of customer relationship management in the banks. One of them is to gain customers, namely to activate the potential customers, and the other is to keep the number of the existing customers. To this end, customer database should be formed and updated frequently. Even though study indicates that customers perceive the bank staff to be knowledgeable, communicative success of the personnel with the customers and the use of information systems is the requirement of customer-based understanding and for progressive relationship. Forming and sustaining healthy and long-term customer relationships have become an important means of competition in the banking sector. The attempt to retain the customer affects the success of the banks due to the fact that one-to-one communication is achieved with the customer especially in field of commercial credit and the rate of profitability is taken from the credit customers. In summary, banks' ability to retain their existing customers and gain new customers depends on accurate customer relationship management.

Suggestions & Recommendations

Considering customer relationship management can provide numerous benefits for financial institutions and credit. A customer of banks and financial institutions and credit is equal to at least one asset and by using this approach, retention of current customers and encouraging them to future reference is re-underlying to their survival for competition. According to the results of research can be said that deployment of customer relationship management system that is customer satisfaction and loyalty. And considering the quality, features and service availability as well as complaints system, the following suggestions for improving the customer relationship management systems are offered:

- Identify hidden needs and expectations of customers and expand the range of services.
- Presence of sufficient knowledge with bank employee to speed up bank operations.
- Create workgroups or a committee that deal with reviews complaints and requests from customers that are require of time and cost.
- Evaluate employee performance and offering bonuses should be based customer needs and their successful service.
- Measure efficiency and effectiveness unit of customer service and its impact on customer satisfaction and loyalty.
- The use of new technology to provide newer and faster services to customer consistently.

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A STUDY ON PROFITABILITY OF NEW GENERATION PRIVATE SECTOR BANKS IN INDIA

ABSTRACT

Efficiency and Profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. Since competition cannot be observed directly, various indirect measures in the form of simple indicators or complex models have been devised and used both in theory and in practice. Today Banking in India is generally fair and mature in terms of supply, product range and reach though in rural India still remains a challenge for the private sector and foreign banks. In recent years, there have been considerable pressures on the profitability of banks. Profitability is considered to be an index of financial health. The term profitability refers to an indication of the efficiency with which the operation of the business is carried on. Poor operational performance may indicate poor selling of bank products and hence poor profits. A lower profitability may rise due to lack of control over the expenses. The objective of this study was overall profitability analysis of selected private sectors banks in India based on the performances of profitability ratios like Interest Spread, Net Profit Margin, Return on long term fund, Return on Net Worth, Return on Asset.

Keywords : *Profitability, Net Profit Margin, Return on Long Term Fund, Return on Net Worth, Return on Assets.*

Introduction

The Private Sector bank is considered to be an important source of financing for most businesses. They play a very important role in the effort to attain stable prices, high level of employment and sound economic growth. These are the major players in the Private Sector bank as well as in expansion of the business activities India. The present Private Sector banks equipped with all kinds of contemporary innovations, monetary tools and techniques to handle the complexities are a result of the evolutionary process over two centuries. They have a highly developed organisational structure and are professionally managed. Thus they have grown faster and stronger since past few years. Private Sector banks have been functioning in India since the very beginning of the banking system. Initially, during 1921, the Private Banks like Bank of Bengal, Bank of Bombay and Bank of Madras were in service, which all together formed Imperial Bank of India. Reserve Bank of India (RBI) came in picture in 1935 and became the centre of every other bank taking away all the responsibilities and functions of Imperial bank. Between 1969 and 1980 there was rapid increase in the number of branches of the Private Banks. In April 1980, they accounted for nearly 17.5 percent of bank branches in India. In 1980, after 6 more banks were nationalized, about 10 percent of the bank branches were those of private-sector banks. The share of the private

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bank branches stayed nearly same between 1980 and 2000. Then from the early 1990s, RBI's liberalization policy came in picture and with this the government gave licenses to a few private banks, which came to be known as new generation Private Sector banks.

Private Sector Banks

The banks, which came in operation after 1991, with the introduction of economic reforms and financial sector reforms are called "New Private Sector Banks". Banking regulation act was then amended in 1993, which permitted the entry of new private-sector banks in the Indian banking sector. However, there were certain criteria set for the establishment of the new private-sector banks, some of those criteria being: a) The bank should have a minimum net worth of Rs. 200 crores. b) The promoters holding should be a minimum of 25% of the paid-up capital. c) Within 3 years of the starting of the operations, the bank should offer shares to public and their net worth must increased to 300 crores.

Importance of the Study

The banking sector is one of the most important instrument of the national development, occupies a unique place in a nation's economy. Economic development of the country is evident through the soundness of the banking system. Deregulation in the financial market, market liberalization, economic reforms have witnessed astounding changes in banking industry leading to incredible competitiveness and technological sophistication leading to a new era in banking. The study is based on the analysis of the overall Profitability ratio of selected five Private Sector Banks in India, to analyze the Interest spread (IS), Net Profit Margin (NP), Return on Long Term Fund (RL), Return on Net worth (RN), and Return on Asset (RA).

Scope of the Study

The study is about the role of Profitability analysis of Private Sectors Banks in India. It is mainly deal with the Profitability ratios show a company's overall efficiency and performance. A variety of Profitability Ratios (Decision Tool) can be used to assess the financial health of a business.

Period of the Study

The study covers a period of 5 years from 2009- 2010 to 2013-2014 is taken for the study.

Methodology

Data Collection

The study is based on secondary data. Information required for the study has been collected from the annual report of Federal Bank, ING VYSA Bank, HDFC, AXIS and Kotak Mahendra Bank and different books, journals, magazines & data collected from various bank websites.

Sample Size

The study is based on selected five Private Sector Banks in India.

- Federal Bank,
- ING VYSA Bank,
- HDFC,
- AXIS
- Kotak Mahendra Bank

Statistical Tools

In this study various statistical tools are used as Mean, Standard deviation, Coefficient of Variation ,ANOVA and Correlation Co-efficient Matrix test have been used for data analysis.

Hypothesis

In this study, the following hypothesis was framed.

H_0: There is no significant relationship between Interests spread among different New Generation Private Sector Banks in India.

H_0: There is no significant relationship between Net profit margin among different New Generation Private Sector Banks in India.

H_0: There is no significant relationship between Return on Long term fund among different New Generation Private Sector Banks in India.

H_0: There is no significant relationship between Return on Net worth among different New Generation Private Sector Banks in India.

H_0: There is no significant relationship between Return on asset among different New Generation Private Sector Banks in India.

Overview of Profitability

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. The ability to earn a profit. In fact, efficiency of business is measured in terms of profits. Profitability ratios are calculated to measure the efficiency of a business. The following profitability ratios are.

Interest Spread

Interest spread is the difference between the average lending rate and the average borrowing rate for a bank or other financial institution.

Interest Spread % =Total interest income minus total interest expenses / Average working fund.

Table 1 : Interest Spread Ratio of New Generation Private Sector Banks in India

Year	Federal Bank	ING VYSA Bank	HDFC Bank	AXIS Bank	Kotak Mahendra Bank
2009-10	5.01	5.50	7.20	5.20	8.11
2010-11	6.25	6.50	8.24	6.66	9.18
2011-12	6.80	6.95	8.64	7.46	9.16

2012-13	7.40	8.36	8.64	7.89	9.82
2013-14	8.81	7.74	7.87	7.61	9.52
MEAN	6.85	7.01	8.118	6.964	9.158
SD	1.404	1.106	0.604	1.086	0.645
CV	20.49	15.79	7.45	15.61	7.05

Source: Computed

As per table 1 reveals that Bank-wise Mean, Standard deviation and Coefficient of variation of Interest Spread of selected banks. Kotak Mahendra and HDFC have highest mean value and Federal Bank has lowest value when compare to other banks. Standard deviation of total interest income and expenses to average working fund of Federal Bank has 1.404 with highest coefficient of variation of 20.49 % and HDFC has 0.604 low standard deviation and coefficient of variation is 7.45%.

Hypothesis

H_0: There is no significant relationship between Interests spread among different New Generation Private Sector Banks in India.

H_1: There is a significant relationship between Interests spread among different New Generation Private Sector Banks in India.

Table 2 : ANOVA

Sources of	Sum of Square	Degrees of Freedom	Mean Square	F (calculated value)	Table value(at 5% level of Significance)
Between Groups	20.01318	4	5.003296	4.846183	2.866081
Within Groups	20.6484	20	1.03242		
Total	40.66158	24			

Source: Computed

Since the calculated value of F(4.8461) is greater than the table value (2.8661) as shown in table 2 the null hypothesis is rejected .It is therefore ,concluded that there is a significant relationship between the Interest spread of (FB, INGVYSA, HDFC, AXIS, KM) Private Sectors Banks in India.

Net Profit Margin

Net profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

Net profit margin % = Net Profit / Revenue

Table 3 : Net Profit Margin of New Generation Private Sector Banks in India

Year	Federal Bank	ING VYSA Bank	HDFC Bank	AXIS Bank	Kotak Mahendra Bank
2009-10	10.21	8.60	14.82	15.9	13.20
2010-11	12.20	9.50	16.21	16.84	14.16
2011-12	12.39	10.08	15.34	15.35	14.07

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2012-13	12.33	10.97	15.97	15.38	13.72
2013-14	11.04	10.83	17.19	16.38	14.27
MEAN	11.63	9.10	15.91	15.97	13.88
SD	0.962	0.981	0.901	0.645	0.434
CV	8.27	10.78	5.66	4.04	3.13

Source: Computed

As per table 3 highlights that Bank- wise Mean, Standard deviation and Coefficient of variation of Net Profit Margin of Selected Banks. Axis and HDFC has highest mean value and ING VYSA has lowest value when compare to other banks. Standard deviation of net profit to revenue of ING VYSA has 0.981 with highest coefficient of variation of 10.78 % and Kotak Mahendra has 0.434 low standard deviation and low coefficient of variation is 3.13%.

Hypothesis

H_0: There is no significant relationship between Net profit margin among different New Generation Private Sector Banks in India.

H_1: There is a significant relationship between Net profit margin among different New Generation Private Sector Banks in India.

Table 4 : ANOVA

Sources of	Sum of Square	Degrees of Freedom	Mean Square	F (calculated value)	Table value(at 5% level of Significance)
Between Groups	138.9737	4	34.74343	52.38408	2.866081
Within Groups	13.26488	20	0.663244		
Total	152.2386	24			

Source: Computed

Since the calculated value of F(52.3840) is greater than the table value (2.8661) as shown in table 4 the null hypothesis is rejected .It is therefore ,concluded that there is a significant relationship between the net profit margin of (FB,INGVYSA,HDFC,AXIS,KM) Private Sectors Banks in India.

Return on Long Term Fund

This ratio establishes the relationship between net profit and the long term fund. The term long term fund refers to total investment made in the business of long run.

Return on Long term fund % = EBIT / Long term fund

Table 5 : Return on Long Term Fund of New Generation Private Sector Banks in India

Year	Federal Bank	ING VYSA Bank	HDFC Bank	AXIS Bank	Kotak Mahendra Bank
2009-10	66.83	78.36	56.50	66.36	46.19
2010-11	64.03	82.58	47.98	72.43	44.83
2011-12	83.83	82.88	75.38	89.23	55.79
2012-13	86.49	91.18	81.05	75.81	53.89
2013-14	86.42	62.58	82.99	73.40	52.46

MEAN	77.52	79.52	68.78	75.45	50.63
SD	11.13	10.556	15.648	8.4553	4.846
CV	14.36	13.26	22.75	11.20	9.57

Source: Computed

As per table 5 shows that Bank- wise Mean, Standard Deviation and Coefficient of variation of Return on Long term fund of selected banks. ING VYSA and Federal bank has highest mean value and Kotak Mahendra has lowest value when compare to other banks. Standard deviation of EBIT to Long term fund of HDFC has 15.648 with Coefficient of variation of 22.75 % and Kotak Mahendra has 4.846 low standard deviation with lowest coefficient of variation of 9.57%

Hypothesis

H_0: There is no significant relationship between Return on Long term fund among different New Generation Private Sector Banks in India.

H_1: There is a significant relationship between Return on Long term fund among different New Generation Private Sector Banks in India.

Table 6 : ANOVA

Sources of	Sum of Square	Degrees of Freedom	Mean Square	F (calculated value)	Table value(at 5% level of Significance)
Between Groups	2763.27	4	690.8174	6.006949	2.866081
Within Groups	2300.061	20	115.0031		
Total	5063.331	24			

Source: Computed

Since the calculated value of F(6.0069) is greater than the table value (2.8661) as shown in table 6 the null hypothesis is rejected . It is therefore , concluded that there is a significant relationship between the Return on Long term fund of (FB, INGVYSA, HDFC, AXIS, KM) Private Sectors Banks in India.

Return on Net Worth

The return on equity ratio which is also known as the return on net worth is used by investors to determine the amount of return they are receiving from their capital investment in a company. Banks can increase their return on equity percentage by buying back their stock, increasing earnings, or using more debt to fund operations.

Return on Net worth % = Profit after tax / Equity share holder fund

Table 7 : Return on Net Worth of New Generation Private Sector Banks in India

Year	Federal Bank	ING VYSA Bank	HDFC Bank	AXIS Bank	Kotak Mahendra Bank
2009-10	9.50	10.91	13.89	15.49	16.40
2010-11	11.10	12.11	15.60	17.67	14.29
2011-12	13.49	11.45	17.36	18.60	14.20
2012-13	13.60	13.23	18.74	15.78	14.35
2013-14	12.38	9.29	19.79	16.43	12.92

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Mean	12.01	11.39	17.08	16.79	14.43
SD	1.548	1.307	2.123	1.174	1.117
CV	14.40	12.82	13.90	7.82	8.65

Source: Computed

As per table 7 reveals that Bank -wise Mean, Standard deviation and Coefficient of variation of Return on Net Worth of selected banks. HDFC and AXIS has highest mean value and ING VYSA has lowest value when compare to other banks. Standard deviation of profit after tax to equity shareholder fund of HDFC has 2.123 with highest coefficient of variation of 13.90 % and Kotak Mahendra has 1.117 low standard deviation with lowest coefficient of variation of 8.65%.

Hypothesis

H_0: There is no significant relationship between Return on Net worth among different New Generation Private Sector Banks in India.

H_1: There is a significant relationship between Return on Long term fund among different New Generation Private Sector Banks in India.

Table 8 : ANOVA

Sources of	Sum of Square	Degrees of Freedom	Mean Square	F (calculated value)	Table value(at 5% level of Significance)
Between Groups	137.9094	4	34.47735	12.26827	2.866081
Within Groups	56.20572	20	2.810286		
Total	194.1151	24			

Source: Computed

Since the calculated value of F(12.2682) is greater than the table value (2.8661) as shown in table 8 the null hypothesis is rejected . It is therefore , concluded that there is a significant relationship between the Return on Long term fund of (FB, INGVYSA, HDFC, AXIS, KM) Private Sectors Banks in India.

Return on Assets

Return on Assets is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources (total assets).

Return on asset % = Net profit / Total asset

Table 9 : Return on Assets of New Generation Private Sector Banks in India

Year	Federal Bank	ING VYSA Bank	HDFC Bank	AXIS Bank	Kotak Mahendra Bank
2009-10	270.71	194.62	472.23	394.62	228.81
2010-11	293.38	217.30	549.91	460.23	148.78
2011-12	326.94	265.44	128.74	548.92	174.18
2012-13	366.25	299.17	154.00	708.58	204.49
2013-14	80.21	375.20	184.10	817.21	247.64
Mean	267.50	270.31	297.80	585.91	200.78
SD	110.727	71.410	197.593	174.859	40.021
CV	41.39	26.41	66.35	29.84	19.93

As per table 9 found that Bank- wise Mean, Standard deviation and Coefficient of variation of Return on Asset of selected banks. HDFC and AXIS has highest mean value and Kotak Mahendra has lowest value when compare to other banks. Standard deviation of net profit to total asset of HDFC has 197.593 with coefficient of variation of 66.35 % and Kotak Mahendra has 40.021 low standard deviation with highest coefficient of variation of 19.93%.

Hypothesis

H_0: There is no significant relationship between Return on asset among different New Generation Private Sector Banks in India.

H_1: There is a significant relationship between Return on asset among different New Generation Private Sector Banks in India.

Table 10 : ANOVA

Sources of	Sum of Square	Degrees of Freedom	Mean Square	F (calculated value)	Table value(at 5% level of Significance)
Between Groups	452689.3	4	113172.3	6.388094	2.866081
Within Groups	354322.6	20	17716.13		
Total	**807011.9**	**24**			

Source: Computed

Since the calculated value of F(6.3880) is greater than the table value (2.8661) as shown in table 10 the null hypothesis is rejected .It is therefore ,concluded that there is a significant relationship between the Return on Long term fund of (FB, INGVYSA, HDFC, AXIS, KM) Private Sectors Banks in India.

Correlation Co-Efficient Matrix

A correlation coefficient is a statistical measure of the degree to which changes to the value of one variable predict change to the value of another. In positively correlated variables, the value increases or decreases. In negatively correlated variables, the value of one increases as the value of the other decreases.

1) Correlation Co-efficient Matrix: Federal Bank

	IS	NP	RL	RN	RA
IS	1				
NP	0.268369	1			
RL	0.796576	0.308509	1		
RN	0.687921	0.754857	0.85632	1	
RA	-0.54198	0.547464	-0.16011	0.187941	1

Source: Computed

The table shows that Return on Long term and Return on Net worth have a high degree of positive association (.856) , Net Profit Margin and Interest Spread have very high positive association (.796) and Return on Long term , Return on Net Worth are positively associated with Return on Assets are negatively associated which is significant at 5 percent level.

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2) Correlation Co-efficient Matrix: INGVYSA

	IS	NP	RL	RN	RA
IS	1				
NP	0.985892	1			
RL	0.072058	-0.05771	1		
RN	0.201662	0.06257	0.972783	1	
RA	0.813457	0.882336	-0.50825	-0.40545	1

Source: Computed

This table shows that Interest spread is highly positively associated with Net Profit Margin at .985 and highly negatively associated with Return on Long term at -.508 further net profit margin is also positively correlated with Return on Net worth and Return on Assets which is significant 5 percent level. Return on Net worth and Return on Assets are negatively associated at 5 percent.

3) Correlation Co-efficient Matrix: HDFC

	IS	NP	RL	RN	RA
IS	1				
NP	0.20809	1			
RL	0.397731	0.3957	1		
RN	0.537575	0.753158	0.879428	1	
RA	-0.55312	-0.24203	-0.96069	-0.81205	1

Source: Computed

This table shows Return on Long term and Return on Net worth are highly positively associated .879 and Return on Long term and Return on Assets are negatively associated -.960 at 5 percent significance level. Net profit Margin association with other variables is almost same.

4) Correlation Co-efficient Matrix: AXIS

	IS	NP	RL	RN	RA
IS	1				
NP	-0.26047	1			
RL	0.620179	-0.53145	1		
RN	0.307695	0.053983	0.776676	1	
RA	0.816001	-0.11213	0.1993	-0.14819	1

Source: Computed

This table shows that Interest spread and Return on Assets are positively associated at .816 , net profit margin is positively associated with return on net worth at .0.053, Return on Long term and return on net worth ,Return on Assets are positively associated , Net Profit margin and Return on Long term are highly negatively associated at -0.531. These values are significant at .05 levels.

5) Correlation Co-Efficient Matrix: Kotak Mahendra

	IS	NP	RL	RN	RA
IS	1				
NP	0.672482	1			
RL	0.58762	0.304958	1		
RN	-0.82687	-0.92111	-0.50162	1	
RA	-0.10789	-0.30193	0.177531	-0.01219	1

Source: Computed

This table shows that Interest spread and Net Profit Margin are highly positively associated at .672 and Net Profit Margin is negatively associated with Return on Assets at -0.921. These relations are significant at .05 levels.

Conclusion

Profitability of private sector banks in India plays major role in banking sector without profit the investors cannot invest in this business. A strong financial system promotes investment by financing productive business opportunities, mobilizing savings, efficiently allocating resources and makes easy the trade of goods and services. To conclude that there is difference among the mean value of interest spread, net profit margin, and return on long term fund return on net worth and there is no difference among the mean value of return on asset of private banks. So profitability ratios are employed by the management in order to assess how efficiently they carry on their business operations and also it is suggested for the entire bank to take effective steps to improve the operating efficiency of the business.

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A NOVEL APPROACH TO ENHANCE WEB RANKING BY INCLUDING APPROACH OF END USERS

ABSTRACT

We can enhance the result of search engine up to a significant level of by including pattern of end users. We have a number of different approach which can be used as a alternative to improve the ranking of web search result. In this paper, we attempted to understand how implicit feedback can be used in a large scale operational environment to enhance accessing that information till 31 march 14, around three hundred million end users are interacting with internet all over the world. We show that by including implicit feedback added other characteristics, enhanced the level of accuracy up to a certain level as compared with the previously result.

Keywords : Web search, implicit relevance feedback, web search ranking, user behavior model.

Introduction

Undoubtedly, today tens of thousands of people interact with internet, particularly with search engine. They search out answers of their queries, related to any subject. For Finding over their queries, they typed queries, follow some of the links in the results, click on ads, spend on queries, reconstruct their queries and perform a number of different activities related to internet. All these activities can serve as a valuable source of information for tuning and enhancing web search result ranking.

For ranking and personalization of a query through implicit relevance feedback becoming an active research area. Joachim's and other on implicit feedback in controlled environments works, have shown the value of incorporating implicit feedback into ranking process.

Our aim for this work to understand how implicit feedback can be used in a large-scale operational environment to improve web search result. How does it compare and compliment evidence from page content, anchor text, or link based features such as in links or page rank. It is assumed that while users are interacting with the web

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search engine must gatheres some important information that could be used for ranking, estimating user preferences in real web search settings. This is a major challenge, as real user interaction tends to be more noisy in comparison with in controlled setting environment.

In this paper, we tried to explore, whether implicit feedback can play an important role in a realistic environment, where user feedback can be noisy and a search engine, loaded with a number of features and heavily tuned. In this paper, we tried to explore a variety of approaches for ranking web search result by incorporating user behavior obtained as part of normal interaction with the search engine.

This paper has given following contributions:

- Tried to find out alternative ways for including user behavior into web.
- An implicit feedback model has been developed for mining tens of thousands of users interactions with a number of search engine.

Background and Related work

Ranking search results is a basic problem in accessing information from web. Most common approach primarily focus on similarly of query and page, as well as the overall page quality (2, 3). In spite of this, by using implicit feed back of users, the ranking of search results can be enhanced.

A number of research workers have done work on implicit relevance measures. An overview of implicit measures is compiled in Kelly and Thevan(7). In realistic setting environments, however, the results of the research, which they have developed during research, could not applied even they pointed out valuable insights into implicit relevance measure.

Joachisms (1) collected implicit measures in place of explicit measures, introducing a technique based entirely on click through data to learn ranking functions. Fox *et al* (8) described the relationship between implicit and explicit measures in web search and developed Bayesian models to correlate implicit measures and explicit relevance judgment for both individual queries and search sessions. This work considered a wide range of user behaviors. However, the aim of modeling to predict explicit relevance judgment from implicit user actions. Other studies of user behavior in web search include pharos and Jarvelin (4), but most of them were not applied directly to improve ranking.

Joachims *et al*. (5) presented an empirical evaluation of interpreting click through evidence. By conducting a holistic study and correlating predictions of their strategies with explicit ratings, the authors realized that it is possible to accurately interpret click through in controlled laboratory setting.

In parallel to this, a lot of research is going on using click through information for improving web search ranking is promising, but it captures only one aspect of the user interactions with web search engines. With the help of

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existing research to develop Robert user behavior interpretation techniques for the real web searching setting.

We have aggregated information from a number of resources instead of treating each user as a reliable "expertise".

Including Implicit Feedback

We have taken two approaches into consideration to ranking with implicit feedback (i) considering implicit feedback as a reliable and independent evidence for ranking results and (ii) integrating implicit feedback features directly into the ranking algorithm.

(i) Considering Implicit feedback as a reliable & independent Evidence for the basis of observed click through of users who were used to rerank the results obtained by a web search engine. Each result is associated with a score according to expected relevance based on previous interactions, resulting on some preference ordering based on user interaction alone.

(ii) We adopt a simple and robust approach instead of taking original ranker's approach, we merge the rank orders. We have ignored the original scores because feature spaces and learning algorithms are different, the scores are not directly comparable. A variety of merging functions applied on the development set of queries. Experimentally, we found that a simple rank merging heuristic combination words well, and is to rebuild variation in score values from original ranker.

A variety of features are taken into consideration while a web search engine rank results, e.g. how closely the words of query matched with the text or anchor text of the documents.

It is found that, in most cases, automatic/semi-automatic tools are developed for tuning the specific ranking function that combine these feature values. During paining or tuning, the ranker can be tuned as before but with additional features. At run time, the search engine would fetch the implicit feedback features associated with each query result URL pair. This model require a ranking algorithm to be robust to the missing values. It is found that more than sixty percent of queries to web search engines are unique, with no previous implicit feedback available.

We now describe such a ranker that we used to learn over the combined feature sets including implicit feedback. An important feature of our approach is exploiting recent advances in machine learning, namely trainable ranking algorithms for web search and for retrieval of information (5,10) and classical result reviewed in (3). In our approach, explicit human relevance judgments are available for the web search queries and results. Therefore, an attractive choice to use is a supervised machine learning technique to learn a ranking function that best predicts this relevance judgments. Rank net is one such algorithm. It is a neutral net tuning algorithm that patronizes feature weights to best match explicitly provided pair wise user preferences.

Interpreting Implicit feedback in Real web search environment

Our intention is to accurately interpret user feedback obtained as by tracing user interaction with search engine. Interpreting implicit feedback in a real web search setting is an uphill task.

We first briefly summarize our features and models, and the learning approach, in order to provide sufficient information to replicate our ranking methods and the subsequent experiments.

Query Specific Derived Features

On the basis of "background" components and a relevance component of a query, we build a web search model. We design our features to take advantages of aggregated behavior.

The feature set is comprised of directly observed features, as well as, the query specific derived features computed as the deviation from the overall query-independent distributors of values for the corresponding directly observed feature values summarized the user interaction with web search results in table. Include the

Table 1 : Location of the bank branch

Taking Click Through Teachers into Consideration	
Position	Position of the URL in Current ranking
Click Frequency	Number of clicks for this query, URL pair
Click Probability	Probability of a click for this query and URL
Click Deviation	Deviation from expected click probability
IsNext Clicked	1 if clicked on next position, 0 otherwise
IsPrevious Clicked	1 if clicked on previous position, 0 otherwise
IsPrevious Above	1 if clicked on above, 0 otherwise
IsClick Below	1 if clicked on below, 0 otherwise
On the basis of browsing characteristics	
TimeOnPage	Page dwell time
CumulativeTimeOnPage	Cumulative time for all subsequent pages after search
TimeOnDomain	Cumulative dwell time for this domain
TimeOnShortUrl	Cumulative time on URL prefix, no parameters parameters
IsFollowedLink	1 if followed link to result, 0 otherwise
IsExactUrlMatch	0 if aggressive normalization used, 1 otherwise
IsRedirected	1 if initial URL same as final URL, 0 otherwise
IsPathFromSearch	1 if only followed links after query, 0 otherwise
ClicksFromSearch	Number of hops to reach page from query
AverageDwellTime	Average time on page for this query
DwellTimeDeviation	Deviation from overall average dwell time on page
CumulativeDeviation	Deviation from average cumulative time on page
DomainDeviation	Deviation from average time on domain
ShortURLDeviation	Deviation from average time on short URL
Features of Query Text	
TitleOverlap	Words shared between query and title
SumaryOverlap	Words shared between query and snippet
QueryURLOverlap	Words shared between query and URL
QueryLenght	Number of tokens in query
QueryNextOverlap	Fraction of words shared with next query

traditional implicit feedback features such as click through counts for the results. We also model the browsing behavior after result was clicked, for example, the average page well time for a given query-URL pair. To model this aspect of user experience. We include features such as overlaps in words in title and words in question.

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User Feedback Model for Interpreting user Behavior

To learn toany interpret the observed user behavior, we correlate actions of users (i.e. the features in table representing actions) with the explicit user judgments for a set of training queries. We collected all the instances of our session logs, where these queries were submitted to the search engine, and aggregate the user behavior features for all search sessions involving these queries.

In table all observed query - URL pair is represented by their features, with values averaged overall, search sessions and assigned one of six possible relevance labels ranging from "perfect" to "Bad", as assigned by explicit relevance judgment's

Evaluation of Web Search Result

To improve ranking of returned web search result, we incorporated implicit feedback. To achieve this, we took a large set of judged queries and compared it with two different raking method to find the results.

For making evaluation to be genuine we randomly selected a number of samples of queries from logs of web search of any search engine.

We are going to discuss about this dataset in details in next section. Our metrics are described in section "Information Retrieval Metrics"5.2 that is used for evaluation of alternative ranking.

Data Sets

For comparing different ranking method, a dataset of 10,000 thousand queries is taken for the search engine logs. For this, we have labeled five points from and on as average 50 results were explicitly labeled by users from "exactly" to "very bad".

Those documents which were labeled as "exactly", "very good" and "good", counter as relevant and others as non-relevant. The logs of users were collected from a span of two to three months using at random method. Around 80 thousands unique queries were formulated and almost 10 million users interacted with the search engine. The data collected after users interactions with search engine. These activities were statistically summarized in Tabular form.

We developed three randomly split method to create validation, training and test query data sets one thousand validation, two thousand training and fifteen hundred test queries.

Information Retrieval Metrics

By using difference information retrieval metrics, like precision at K, Normalized Discounted Cumulative, Gain, evaluate the ranking algorithms. Which are discussed as follow:

Precision at K: P (K) is considered as most powerful metric, which reports the fractioned of document ranked in the top K results that are considered as relevant. As we have labeled document as "Exactly", to very bad. The position of relevant documents within the top K is not relevant, so this metric is used to overall satisfaction of the top K results.

Normalized Discounted Cumulative Gain

This measure is specially developed for web retrieval evaluation. For any given query, q, the ranked results are examined from the top ranked down and this method compare ranked as

$$\mathrm{D_q} = N_q \sum_{i=1}^{k} (2^r - 1) \log(1 + \mathrm{i})$$

Where Nq, is a normalization constant calculated so that, we could obtain a perfect orderly by using this method for I, and each r (i) is a valued assigned to (i=o, very bad, exactly=5) of results returned to position i). in this calculation, documents having no labeled and the documents labeled as "very bad" don't contribute any role in determining the ranking of documents.

Comparing to Different Ranking Methods

Our goal is to quantify the effectiveness of implicit behavior of real web search. We compare effectiveness of implicit users behaviors with content based matching static page, qualify features, and combination of all features.

BM25F: BM25F was used in one of the best performing systems in the TREC 2013, web track (9). BM25F and its variants have been extensively described and evaluated in IR Literature and hence serve as a strong, reproducible baseline.

RN: RN system automatically learns weights for all features based on explicit human labels for a large set of queries. Rank Net is implemented in a number of system and currently is use by a major search engine.

BM25F-Denrank CT: The ranking produced by including click through statistics to reorder web search results ranked by BM25F above.

Click through is a particularly important special case of implicit feedback, and has been shown to correlate with result relevance.

BM25F-Rerank All: This methods learns a model of user preferences by correlation feature values with explicit relevance labels using the Rank Net neural net algorithm.

A number of the ranking methods were discussed above, span the range of the information used for ranking from not using the implicit or explicit feedback at all to mode in web search engine using hundred of features and tuned on explicit judgment.

Conclusion & Future Works

Efforts were made to explore the utility of including implicit feedback obtained in a real web search environments to enhance web status ranking. We conducted a large scale evaluation over five thousands queries and more than two millions user interaction with a number of search engine, establishing the utility of incorporating "noisy" implicit feedback to improve web search relevance.

For future work, we can apply latest research on automatically predicting query difficult queries. In addition to this, we can explore methods for extending our predictions to previously unseen queries, which should further enhance the web-search experiences of users.

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